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Hunt for the missing major

World Business Newspaper <http://www.FT.com> FRIDAY AUGUST 23 1996

Chinese call on Taiwan to resume reunification talks

China called for a resumption of talks with Taiwan in an attempt to increase pressure on Taipei over speeding up progress towards reunification. China's leading negotiator with Taiwan, Tang Shubai, said Beijing wanted a peaceful reunification and an end to hostility. Page 10; Anger at impasse, Page 4

Germany discusses Euro problems: German businessmen met government officials to discuss expected problems when the D-Mark is replaced by the euro in European monetary union, even though the switch is not scheduled until 2002. Page 10

Revolutions of the UK: The world's largest business services group which took control of BET earlier this summer, announced a 35.6 per cent increase in first-half profits to £134.5m (£209.6m). Page 11; Lex, Page 10

Hungary delays energy price rises: Hungary will postpone controversial energy price rises it promised international investors last year, after the cabinet rejected the state energy office's proposals. Page 2

Norske Skog: Norway's largest pulp and paper group, reported a 22 per cent jump in first-half earnings from Nkr187m to Nkr1.04bn (£182m). Page 13

Peru's president seeks third term: Peruvian opposition leaders have attacked an attempt by President Alberto Fujimori to stand for a third five-year term, saying it is unconstitutional and an effective coup d'état. Page 10

BASF: The German chemicals group, reported a 3.5 per cent increase in first-half profits to DM2.93bn (£1.96bn), after favourable currency movements lifted earnings by DM300m. Page 13

Australia leads push for N-test treaty: Australia said it would take the lead in international efforts to rescue a comprehensive nuclear test ban treaty following India's move to veto the draft text in negotiations in Geneva. Page 3

UN criticises Bosnian police: The United Nations said police in north-western Bosnia were failing to stop violence against opposition voters despite promises to support free and fair elections next month. Page 2

Egypt threatens to cancel conference: Egyptian president Hosni Mubarak threatened to cancel a Middle East economic conference in November unless the Israeli government started honouring its peace commitments. Page 3

Canon: The camera and office equipment maker, more than doubled first-half profits to ¥93.7bn (\$68.2m) following strong demand for semiconductor chips and computer-related products, and the weaker yen. Page 12

Apec members reject IT plan: Several Asia Pacific Economic Co-operation forum members distanced themselves from US proposals to liberalise trade in information technology, saying it would unfairly benefit US groups. Page 3

Seoul to crack down on protests: The South Korean government said it would crack down on demonstrations after a riot policeman died following the recent protest at Seoul's Yonsei University. Page 4

Thousands attend Belgian girls' funeral:



About 5,000 Belgians attended the funeral (above) in Liege of two eight-year-old girls who starved to death after their abduction by a paedophile gang. The bodies of Julie Lejeune and Melissa Russo, who disappeared in June last year, were this week discovered by police in the garden of convicted child rapist Marc Dutroux.

Crickets: John Crawley's innings of 94 helped England reach 278 for six on the first day of the third Test against Pakistan at The Oval, London. Pakistan lead the three-match series 1-0.

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STOCK MARKET INDICES		GOLD	
New York: S&P 500	5,728.44 (+38.82)	New York: Gold	328.25 (\$18.15)
Dow Jones Ind. Av.	5,728.44 (+38.82)	London: Gold	327.45 (\$17.15)
NASDAQ Composite	1,148.00 (+13.15)		
Europe and Far East		DOLLAR	
CAC40	2,817.76 (+17.12)	New York: DOLLAR	1.5500
DAI	2,557.26 (+13.52)	DM	1.6225
FT-SE 100	3,891.1 (+18.0)	FF	16.0555
Nikkei	21,363.24 (+88.22)	SY	1,227.95
		Y	108.27
US LUNCHTIME RATES			
Federal Funds	5.75%	London: £	1.5488 (1.5505)
3-mth Term Rate	5.114%	DM	1.6059 (1.617)
Long Bond	8.0%	FF	16.0594 (1.6081)
		SY	1,211.0 (1.1953)
		Y	108.475 (108.25)
OTHER RATES			
UK 3-mth Interbank	5.75%	Telco close	¥ 108.25
UK 10 yr Gov	10.52%		
France 10 yr Gov	10.52%	STERLING	
Germany 10 yr Bond	8.23%	DM	2.3184 (2.287)
Japan 10 yr JGB	8.1874%		
NORTH SEA OIL (August)			
Brent Blend	\$21.28 (20.74)		

Country	City	Exchange	Index	Change
Austria	Vienna	WSE	1,500	+10
Belgium	Brussels	EBX	3,500	+15
Denmark	Copenhagen	OMX	120	+2
France	Paris	CAC	2,800	+15
Germany	Frankfurt	DAX	3,800	+18
Italy	Milan	ISEQ	10,000	+50
Japan	Tokyo	Nikkei	21,000	+80
Spain	Madrid	IBEX	3,500	+10
UK	London	FTSE	3,800	+18

Surprise over sharper than expected reduction aimed at boosting recovery

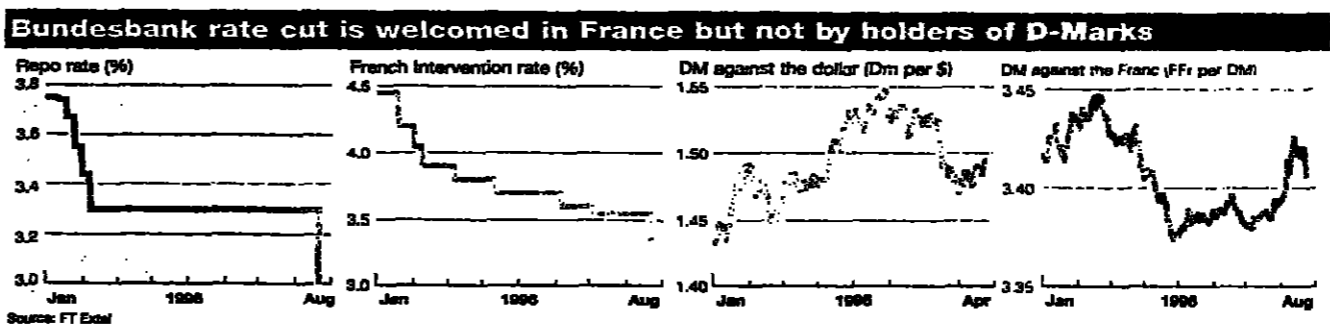
Germany cuts repo rate to 3%

By Andrew Fisher in Frankfurt, David Owen in Paris and Richard Adams in London

The Bundesbank yesterday cut one of its key interest rates more sharply than expected in an apparent bid to reinforce the German economic recovery and help support the shaky French franc.

The German central bank lowered its securities repurchase (repo) rate, through which it influences the money market, from 3.3 per cent to a new low of 3 per cent, citing slower growth in the money supply as the main reason for the move.

European share and bond prices moved ahead on the news and the dollar strengthened against the D-Mark. In London, news of the



Bundesbank rate cut is welcomed in France but not by holders of D-Marks

Bundesbank's decision was greeted with shouts of surprise on trading floors. The Bank of France quickly followed the Bundesbank, cutting its intervention rate by 0.2 percentage points to 3.35 per cent.

quas Chirac criticised the management of France's banking system and said French and German interest rates were "clearly too high". His remarks are widely believed to have contributed to this month's depreciation of the franc.

Yesterday, the French currency and the Paris stock market responded favourably to the reductions. The franc rose strongly against the D-Mark, to FF3.48 at close of trading in London, from FF3.421 on Wednesday. The benchmark CAC-40

index closed ahead 0.86 per cent at 2,017.37, recouping virtually all the ground lost the previous day. September PIBOR contracts, which show the level of French interest rate expectations, rose to 96.07, up 31 basis points on the day. At this level

dealers expect French interest rates to be about 3.93 per cent next month. A repo rate cut had been expected after the Bundesbank took no action at its last council meeting in July, but most economists and traders had expected a cut to around 3.2 per cent. Several economists thought further repo cuts and even a lower discount rate - currently 2.5 per cent - were now possible. Mr Hans Tietmeyer, Bundesbank president, said the reduced July growth rate in the M3, the broad monetary aggregate, announced this week was "decisive" in the

Continued on Page 10
Surprise for markets, Page 2
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Chechen refugees return to 'hell on earth' after Lebed grants reprieve

Civilians brave crossfire to go back to Grozny

By Chrystia Freeland in Alkhan-Yurt, Chechnya

Two dozen citizens of Grozny, the shattered capital of Chechnya, yesterday set out on what is probably the most dangerous bus trip in the world.

They fled the city earlier this week after Russian military commanders gave civilians 48 hours to leave. Yesterday, Mr Alexander Lebed, Russia's national security chief, announced a reprieve and, in spite of fears that it might be a short one, they boarded a rickety bus and prepared to return home.

"All I possess is this dress you see me wearing, and it was given to me by kind people who took pity on us refugees," said Mrs Malika Sultaeva, a 38-year-old housewife returning to Grozny with her nine-year-old son and her husband. "Everything I ever created in my whole life is there: my home, my cows, my clothes. Without all this, there is no life for me, so I must go back."

From their starting point, a dirt road on the outskirts of Alkhan-Yurt, they could see the dancing flames and clouds of black smoke from Grozny's blazing oil refinery.

Their driver predicted the journey would take no more than 40 minutes. But they would have to pass hostile Russian military checkpoints and travel along a road across which Russian soldiers and Chechen separatists regularly

Russian president Boris Yeltsin yesterday appeared in front of the mass media for the first time since his absence on holiday and rumours about his health, but kept his distance from the television cameras. Meanwhile, Mr Alexander Lebed, the national security chief, signed a ceasefire deal with Chechen separatists. Mr Lebed said he and Mr Aslan Maskhadov, the Chechen chief of staff, were ready to agree a nine-point deal for the partial withdrawal of troops from Grozny, establishing a joint military police to investigate breaches of the ceasefire. Report, Page 2



Russian president Boris Yeltsin returned, after a mysterious two-day break, to the Kremlin where he greeted Tatyana Dmitrieva, who is set to be named health minister

trade fire. The travellers expected to re-enter a city which one woman passenger described as "hell on earth," with little food, no running water or electricity and unburied corpses in the streets. Most passengers said they were making the trip because after two years moving between their city homes and the safer countryside, they were determined to protect the only possessions they had left. One, Mrs Zara Gatsaeva, said: "If the federal forces [Russian soldiers] don't take it, our own marauders will."

Sitting next to her was Mrs Zolpa Usipova, a frail, elderly woman who had survived as a girl Stalin's mass deportation of the Chechen people to central Asia. She insisted: "I am not fleeing back to my home, I am going back to retrieve my daughter's corpse."

Mrs Ruzgarat Salgarieva, a middle-aged matron in a white headscarf, said she and other refugees fleeing Grozny on Sunday had been forced to surrender most of their possessions to secure safe passage. "They took everything - gold, my husband's wedding ring, my earrings. They said if you want to live put everything down," she said.

As they were preparing to leave, there was some gratitude for Mr Lebed's intervention. "Lebed is our last and only hope," said Mrs Usipova.

US crackdown puts pressure on cigarette groups

By Richard Tomkins in New York and Patti Waldmeir in Washington

Political and legal challenges were yesterday converging to put the US tobacco industry under some of the most acute pressures it has recently faced.

President Bill Clinton was expected to announce as early as today a crackdown on underage smoking by giving the Food and Drug Administration sweeping powers to regulate cigarette makers.

Separately, the industry is awaiting the outcome of an Indianapolis court case in which the big tobacco companies are being sued over the death of a smoker from lung cancer. The jury could deliver its verdict today.

Tobacco stocks have slumped amid worries over the Indianapolis case because it follows a verdict two weeks ago by a jury in Florida awarding \$750,000 against the industry. That decision, in a similar case, stunned tobacco manufacturers, which had never previously paid out any dam-

ages. Investors fear another verdict against the cigarette makers will open the flood gates to vast numbers of claims. At midday in New York yesterday, shares in Philip Morris, the biggest US tobacco company, were 5 1/4% down at \$36 1/2, some 18 per cent below the level of two weeks ago. Shares in RJR Nabisco, the second biggest tobacco company, were up 5/8% at \$25 - some 21 per cent below their level two weeks earlier. In London, shares in BAT Industries, parent of the US's Brown & Williamson Tobacco, closed 24p down at 422p. Mr Clinton's expected move against under-age smoking, first proposed a year ago, worries tobacco manufacturers not so much because of its new limits on the advertising and sale of cigarettes, but because it means bringing the industry under the regulatory authority

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Telefónica and Kirch link up in digital TV venture

By David White in Madrid and Raymond Snoddy in London

Telefónica, the partly privatised Spanish telecommunications organisation, has agreed in principle with Germany's Kirch group to set up a digital television joint venture in Spain which would involve investments estimated at Pta150bn (£1.2bn).

Telefónica said other shareholders might join the planned venture, the latest move in a Europe-wide race to launch digital television systems capable ultimately of offering several hundred television channels.

British Sky Broadcasting, the UK satellite venture controlled by Mr Rupert Murdoch's News Corporation already has a digital TV joint venture with Kirch in Germany and is seriously interested in joining in the Spanish venture.

The agreement between Telefónica and Kirch was reached on Tuesday in a meeting in Madrid between Mr Leo Kirch, head of the German group, and Mr Juan Villalonga, the new Telefónica chairman.

The Spanish side has set two main conditions: that it should hold the controlling stake in the joint venture and that the network should be available to any programme provider.

Mr Villalonga first outlined Telefónica's ambition to establish a "platform" for digital television channels last month. The company said the move was part of its strategy of being involved in all areas of telecommunications.

The main ones of investment would be not so much on satellite communications, in which Telefónica was well placed, but on new multi-use decoders. Plus, the Spanish affiliate of the French group already providing encrypted television, would not be excluded from the new system.

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Yeltsin returns with harsh words for Lebed

President is trying to distance himself from the Chechnya debacle, writes John Thornhill in Moscow

President Boris Yeltsin, who has been out of the public eye for two weeks, yesterday returned to the Kremlin in an attempt to reassert his authority in a city rife with rumours about his ailing health and political demise.

In his customary style, Mr Yeltsin sought to distance himself from responsibility for the latest upsurge of fighting in Chechnya, adding he was "not fully satisfied" with the performance of Mr Alexander Lebed, his national security adviser, who has been trying to bring peace to the region.

"One has to remember that when he [Lebed] met with voters he consistently promised to solve the problem of Chechnya if he had power. Well, now he has power. But, regrettably, the

results of his work in Chechnya are still not visible," he said, in an interview with the semi-official RIA Novosti news agency.

The president said he received regular updates about the situation in Chechnya but did not appear to be aware of developments in the region. His comments came only hours before Mr Lebed made an apparent breakthrough in talks with the Chechen separatist leaders to reach a lasting ceasefire.

Following a meeting with Mr Aslan Maskhadov, the Chechen chief of staff, Mr Lebed claimed both sides were ready to sign a nine-point agreement providing for the partial withdrawal of troops from Grozny, the Chechen capital, and establishing joint military police officers to investigate breaches of the ceasefire.

"[Russian] troops will be withdrawn from Grozny because constitutional order cannot be introduced using air and artillery strikes," he said. "They will be with-

drawn from the whole of Chechnya. Mr Lebed also claimed to be on the brink of sealing an elusive political agreement defining the constitutional status of Chechnya. "I will come back with a draft political agreement in two days. We will discuss it and sign it."

Sporadic fighting continued in Chechnya yesterday and it was not immediately clear how Mr Lebed would be able to bridge the seemingly irreconcilable differences between the two sides over Chechnya's constitutional status. Granting Chechnya independence would require an amendment to the Russian constitution and has been repeatedly rejected as an option by Mr Yeltsin. But Chechen militants have said they will settle for nothing less than full autonomy. Several previous ceasefires have collapsed.

The Communist press in Moscow already appears to be sharpening knives for Mr Lebed if he signals a humiliating withdrawal from the region. The former general will have to devise some formula to preserve the dignity of the Russian military but he appears ready to defend his actions.

"I predict attacks by jingoistic patriots and jingoistic democrats for signing the

accord," he said. "Anyone who is unhappy is welcome to complain, including to the president and God Almighty himself."

Any lasting peace deal with Chechnya would be a considerable boost to Mr Lebed's ambitions to become president. Despite his preoccupation with Chechnya, he has still found time to write to Mr Victor Chernomyrdin, the prime minister, urging him to revise next year's draft budget.

According to the Interfax news agency, he called for more government spending on the armed forces and investment, and suggested raising import and gas export duties to increase federal revenues.

Mr Yeltsin yesterday completed the formation of his new government and emphasized the need to pursue reform. Russian television showed fairly full excerpts of him answering selected journalists' questions and greeting his newly-appointed health minister in his Kremlin study.

The 65-year-old leader looked somewhat unsteady on his feet but spoke clearly and appeared in control of his faculties. Commenting on rumours that he intended to take a holiday in Switzerland, Mr Yeltsin said: "Thanks to the press for the invitation, but I cannot go as there are problems which should be solved here."

His reappearance will quash the worst fears about his health but do little to suppress the intense speculation about who holds the levers of power in the Kremlin.

The rate cut cliffhanger has been settled in style, writes Andrew Fisher in Frankfurt

Bundesbank springs surprise on markets

The Bundesbank pulled a bigger rabbit out of the hat than expected. After keeping financial markets on tenterhooks for weeks by holding out the prospect of an interest rate cut and then sitting tight, the German central bank yesterday finally ended the suspense in style.

Its decision to lower the securities repurchase (repo) rate from 3.20 per cent to 3 per cent, rather than to 2.50 per cent, appeared to have been made at least as much for international as for domestic reasons. Concerns about France's economic outlook, and its chances of meeting the criteria for European monetary union, have put pressure on the franc recently.

"You can make a case for saying the Bundesbank acted as much for Europe as for themselves," said Mr John Butler, bond analyst at WestLB Research. "This

could be considered the first European act of the German central bank."

Certainly, the repo cut was greeted enthusiastically in financial markets, with an immediate rise in the dollar against the D-Mark, higher German bond and share prices and an easing of pressure on the French franc. Helping to bolster the French currency, the Banque de France also cut its intervention rate from 3.55 to 3.35 per cent.

Mr Klaus Friedrich, chief economist at Dresdner bank, said the repo move showed the Bundesbank's "European awareness". However, apart from paying closer attention to European economic needs ahead of Emu, it was also looking to the needs of German exporters.

"Thus, while the repo cut would not have a big direct impact on the German economy, it would lower the D-Mark against the dollar

and other currencies and make it easier to sell German goods abroad. "The Bundesbank knows the external value of the D-Mark is a very critical factor for the economy," Mr Friedrich added.

With inflation low, economic recovery hesitant and growth in the money supply easing, the scope for a cut in the repo rate has been increasing for some time.

The German economy returned to growth in the second quarter amid signs that the country is gradually pulling out of the "growth pause" that started in the middle of last year, the economics ministry said yesterday, writes Peter Norman in Bonn.

The ministry indicated that official figures to be published on September 5 would show a "marked" increase in seasonally adjusted real gross domestic product in the second quarter, compared with the first three months, and a gain of about 1 per cent over the second quarter of 1995. German GDP in the first quarter contracted by 0.5 per cent compared with the preceding three months and was only 0.3 per cent higher than the year before.

In its latest monthly report, the ministry said there was a "pronounced" increase in demand for manufactured goods, with higher domestic orders bolstering already stronger export demand. However, the construction sector continued to experience a cyclical downturn. The labour market continued to be depressed with the economic upswing still too weak to trigger a rapid easing of Germany's high unemployment rate of just over 10 per cent.

Bundesbank directors have been saying that the M3 trend would be watched closely to see if the room for manoeuvre was finally large enough for action.

This week's news that M3 in July had slowed down to an annualised growth rate of 8.6 per cent, compared with a target range of 4.7 per cent for the year, provided the right conditions. A repo cut had also been expected at the end of July, before the Bundesbank's summer break, but it still regarded M3 growth as too high to justify this.

The repo rate, which the central bank uses to steer short-term money market rates, was left unchanged when it cut the discount and lombard rates to 2.50 and 4.50 per cent respectively in April.

Yesterday, Mr Hans Tietmeyer, the Bundesbank's president, said the downward trend in M3 was the

EUROPEAN NEWS DIGEST

Simitis calls early election

Greece's prime minister, Mr Costas Simitis, yesterday called an early general election on September 22. The announcement followed a special cabinet meeting. His mandate does not expire until autumn next year, but Mr Simitis said the country's ailing economy and tense relations with neighbouring Turkey necessitated an early poll.

Mr Simitis, 60, is one of Greece's most popular politicians and poll analysts give his Pasok Socialist party a slight edge over the main opposition conservative New Democracy party. Mr Simitis, who replaced Mr Andreas Papandreu, the party's late founder, as premier in January, wants a public mandate to push on with tough economic decisions aimed to bring Greece in line with its European Union partners.

Reuter, Athens

Austria's Haider for trial

Austrian state prosecutors said yesterday they would start legal proceedings this week against Mr Jörg Haider, leader of the far-right Freedom party, alleging defamation of the character of Mr Casper Eismann, the interior minister. The prosecutors said remarks at a Freedom party convention "pertained to Eismann's alleged abuse of office", but did not say what the remarks were.

The interior ministry said the case also concerned allegations by Mr Haider that Mr Eismann had spent time in jail on a drugs offence. Mr Haider, his spokesman and his lawyer were not available to comment.

After proceedings start, a court will set the date for a trial. If found guilty, Mr Haider could face up to a year in jail. Members of parliament are normally guaranteed immunity from prosecution but a special parliamentary committee revoked Mr Haider's immunity last March. In 1991, he was forced to resign as governor of Carinthia after praising Hitler's labour policies.

Reuter, Vienna

Denmark set for 1.8% growth

Denmark's Economic Affairs Ministry has held firm on its predictions for growth, despite encouraging employment figures and stronger growth in all sectors of the economy. It repeated its May forecasts of 1.8 per cent growth in gross domestic product this year a further 3 per cent in 1997.

Ms Marianne Jelved, economics minister, also reaffirmed the government's commitment to reducing the budget deficit which this year is forecast to fall from 1.6 per cent of GDP to 1.5 per cent, while in 1997 it is predicted to be only 0.5 per cent.

The government sees inflation at a modest 2 per cent for the rest of this year, rising to 2.3 per cent in 1997. Total employment is expected to rise by 18,000 this year and by 30,500 next. Unemployment, projected at 250,000 this year, is forecast to fall by 10,000 in 1997. This represents a rate of 8.6 per cent of the labour force.

Andrew Arnold, Copenhagen

Bulgarian airline deeper in red

Bulgaria's state-run Balkan Airlines slipped deeper into the red in the first half of the year, a Transport Ministry official said yesterday. The airline is among 70 indebted state companies due to be restructured under a government austerity programme agreed with the International Monetary Fund.

The government blamed losses of about Lvl.6bn (\$9m) - up from Lvl.650m in the same period last year - on the weakening of the Bulgarian currency. The lev has lost 80 per cent of its value against the dollar this year. Balkan's debts are estimated at \$13.2m and will increase to \$15m this year, ministry officials said, adding that the company would try to reschedule them.

Meanwhile, the Privatisation Agency said it had sold six hotels and restaurants in the Black Sea resorts of Zlatni Pyasitsi and Slanchov Bryag for Lvl.78.7m. The Bulgarian-based buyers will have to invest some Lvl.33m over three years. The government also approved plans to sell up to 75 per cent of the debt-ridden Piama oil refinery.

Reuter, Sofia

Irish detain Japanese trawler

Irish naval officers yesterday shadowed a Japanese trawler and escorted another to port in a crackdown on illegal fishing in Ireland's western waters. It was the first time the authorities had detained a Japanese vessel inside the 200-mile "Irish box" on suspicion of illegal fishing.

A senior naval official told Irish radio that officers were preparing to board a Japanese vessel found inside the Irish box yesterday. A second vessel was being escorted to Cork in southern Ireland, after being found in the Irish box earlier this week. A further 30 Japanese vessels are grouped just outside the boundary.

Reuter, Dublin

Corsican truce 'at an end'

Corsican separatists yesterday announced they were ending a shaky seven-month "truce" and accused the French government of reneging on secret commitments. Mr Jean-Louis Debré, the interior minister, quickly promised that police would catch those responsible for a series of attacks on state targets on the French Mediterranean island, and accused the perpetrators of sabotaging efforts to pull it out of an impasse.

The separatist announcement came after two overnight bombings caused minor damage to tax collection offices in Calvi and welfare offices in Ile Rousse, both in the north-east of the island. No one was injured.

No one claimed responsibility for the attacks but investigators said they were most probably part of an apparent resumption of two-decade-old separatist violence.

Reuter, Ajaccio

Turkish party leader emerges from shadows

By John Barham in Ankara

Turkey's conservative opposition leader will break nearly two months' silence tomorrow when he puts forward his name for re-election as party leader.

Mr Mesut Yilmaz, leader of the Motherland Party, practically vanished from the political scene at the end of June.

His short-lived government collapsed after Mrs Tansu Çiller, leader of the rival centre-right True Path party, pulled out of his coalition to form a new government led by the Islamist Refah party of Mr Necmettin Erbakan.

Although Refah's populist policies have worsened the country's economy and Mr Erbakan has made gaffes and blunders offering innumerable opportunities for point-scoring, Mr Yilmaz has remained silent.

Still, he is expected to win re-election despite his unimpressive leadership. Only one well-known candidate has entered the ring against him.

A ponderous speaker, overshadowed by Mrs Çiller and Mr Erbakan, both flamboyant and effective campaigners, he has led Motherland to two general election defeats since becoming leader in 1991.

He lost to True Path in last December's elections despite Mrs Çiller's poor record in government. Mr Yilmaz returned briefly to power this year only to be outmanoeuvred by her.

Mr Kamran Inan, a senior Motherland MP, said: "Mr Yilmaz will be re-elected but there is growing opposition. There is a feeling he is trying to set up a party to be in opposition, not to be in power."

Mr Yilmaz should take about 800 out of 1,200 votes at tomorrow's conference because, as party leader, he was able to select the majority of the delegates.

However, his opponents hope such a large opposition contingent will force him to hold an extraordinary conference where a more convincing candidate could be tempted into the field.

Most commentators agree Motherland lacks charismatic potential leaders to establish it as the centre-right secular alternative to Refah. Mr Inan warns the party may "lose more and more ground and Turkey will become more and more radicalised. The next five to six years will be the era of Refah."



Election posters cover the wall where 19 people queuing for bread were killed at height of the war

UN criticises Bosnian police over poll campaign violence

The United Nations said yesterday that local police in northwestern Bosnia were failing to stop violence against opposition voters despite promises to support free and fair elections, scheduled for September 14, Reuter reports from Sarajevo.

Active harassment and intimidation of the political opposition in the area began in June when an SDA loyalist struck Bosnia's former prime minister, Mr Haris Silajdzic, on the head with an iron pipe. Mr Silajdzic is now the chief rival to Mr Alija Izetbegovic, the country's president and head of the SDA.

UN monitors recently received a letter from a local opposition party accusing nine police officers and eight

SDA supporters of intimidation. Last week the UN won assurances from senior Muslim-Croat and Serb police officials that they would instruct their forces to support free and fair elections.

Exasperated by security promises constantly being broken, Mr Ivanko said it was "disheartening to see that statements and agreements made at the level of ministers of interior... for some reason do not materialise at the local level. It seems that the situation is not getting better, it's getting worse," he said. "It's very tense in Cazin and the local police are not doing anything... to try to change the situation."

UN spokesman, Mr Alex Ivanko. The authorities of the Muslim-controlled Bihać region have been scolded by the UN consistently in recent weeks for attacks on opposition voters, often using explosive devices.

Active harassment and intimidation of the political opposition in the area began in June when an SDA loyalist struck Bosnia's former prime minister, Mr Haris Silajdzic, on the head with an iron pipe. Mr Silajdzic is now the chief rival to Mr Alija Izetbegovic, the country's president and head of the SDA.

UN monitors recently received a letter from a local opposition party accusing nine police officers and eight

Government caught between conflicting pressures from public and investors

Hungary to delay energy price rises

By Virginia Marsh in Budapest

Hungary is to postpone the controversial energy price rises it promised international investors last year, after the cabinet yesterday rejected the state energy office's price proposals and ordered a review of the matter by a new committee.

Government officials said the price increases would come into force in January, not October as it told western utilities which invested nearly \$2bn in electricity and gas sector privatisation

last autumn. In the meantime, a group of as yet unnamed experts would have two months to study the options.

"Some of the figures proposed were too high, others were too low. There were also unnecessary costs [included by energy companies]," the government spokesman said.

The government promised investors in power generation and gas and electricity distribution companies "many of which are loss-making and require substantial modernisation - that it

would move to a cost-reflective price regime, including a guaranteed 8 per cent return, by 1997.

This could mean, however, large and deeply unpopular price increases to which many cabinet members are reluctant to agree. The issue is believed to have been a factor behind the resignation of the industry minister last week.

"The government is caught between angry consumers and angry investors," one western executive said yesterday. "But its credibility would be severely

marked if it didn't push through the promised changes. It must move quickly to remove the uncertainty. Otherwise the sector won't get the investment it so badly needs."

Western companies said they had no prior warning of yesterday's decisions and that they would be jointly seeking clarification.

Stakes in the energy companies were sold to continental European utilities, mainly from Germany and France, after several US and UK groups pulled out at the last minute, citing concern

صكنا من الاعمال

Mubarak threat to cancel summit over Israeli stance

By Sean Evers in Cairo and David Gardner in Jerusalem

President Hosni Mubarak of Egypt threatened yesterday to cancel a Middle East economic conference scheduled for November unless the right-wing government in Israel started meeting its peace commitments.



Hosni Mubarak: saw no progress 'on the ground'

In spite of Israel's declaration of respect for the principles on which the peace process was founded, Mr Mubarak said: "No progress has been made on the ground... I call on Israel to make progress, otherwise the economic summit will be irrelevant."

Scheduled to take place in Cairo on November 12-14, the US-sponsored regional conference is intended to promote economic integration between Israel and its Arab neighbours, with the political settlement. But the peace process has been stalled since the May election of the Israeli government. Prime

Minister Benjamin Netanyahu abandoned the "land for peace" principle and lifted a four-year freeze on new Jewish settlements in Palestinian self-rule areas. The redeployment of Israeli troops from the Palestinian town of Hebron is now five months overdue.

Mr Mubarak said that after giving Mr Netanyahu more than two months to act on peace, the world could not wait much longer. "We are worried that the length of time could affect the peace process. If there's no clear progress in the implementation of the agreements and entering negotiations, I believe that many countries will not come (to the conference)," he told academics in Alexandria.

Arab-Israeli peace-making, Israel's economy has been able to grow 25 per cent, because it broke out of diplomatic isolation and new markets - particularly in Asia - opened up to it.

As a key intermediary in the peace process, Egypt believes that Israel's recent economic success has leaned heavily on the legitimacy provided by the peace process and conversely Arabs can pressure Israel by withdrawing their approval.

Cairo, which hosted the first Arab League summit in six years at the end of June following Mr Netanyahu's victory, is under pressure from other Arab countries to seek back commercial and diplomatic ties with Tel Aviv. The June summit warned that the process of "normalisation" with Israel would stop if the Netanyahu government stuck to its refusal to negotiate the return of conquered Arab land in exchange for peace.



Palestinian president Yasser Arafat accompanies Norway's Terje Larsen, UN special envoy to the West Bank and Gaza, yesterday. Mr Larsen has warned that the Palestinian Authority faces financial collapse if an Israeli blockade is not lifted and promised international aid fails to arrive.

Ban on Arafat critic's books

The Palestinian self-rule administration of Mr Yasser Arafat has banned the books of one of its most eloquent and internationally renowned critics, Mr Edward Said, writes David Gardner in Jerusalem.

Mr Said, a Jerusalem-born Palestinian and US citizen who is professor of English and comparative literature at Columbia University, has long advocated a peaceful settlement between the Palestinians and Israel. But he has strongly criticised the 1993 Oslo accords as unworkable and so one-sided as to amount to a capitulation by Mr Arafat.

Probably his worst crime, in Mr Arafat's eyes, is to question the political, technical and linguistic competence of Palestinian negotiators. This is a criticism echoed by Palestinian experts when the PLO withdrew them a year ago from negotiations on the "interim" self-rule stage of the peace process, in which they and Mr Said believe damaging concessions were

made. The Palestinian ministry of information was unable to comment on the ban yesterday, but two bookshops in Ramallah, near Jerusalem, said they had been told to withdraw the books. Ms Zeinab Estrabadi, Mr Said's secretary in New York, confirmed the ban but said the professor was hospitalised with pneumonia and unavailable for comment. Mr Ziad Abu Amr, a member of the Palestinian legislature, told Reuters news agency he was raising it in the legislative council.

The ban fits into a widening pattern of abuses by Mr Arafat's increasingly autocratic administration, including the death under torture of nine dissidents. Since a series of suicide bombings inside Israel in February and March, Mr Arafat has come down hard on Islamic fundamentalist factions such as Hamas. But even before then he was in conflict with a Palestinian civil society born out of the nationalist struggle.

Plan to overcome Indian veto

Australia to lead N-pact rescue effort

By Frances Williams in Geneva

Australia yesterday declared its readiness to take the lead in international efforts to rescue a comprehensive test ban treaty (CTBT) following India's formal move earlier this week to veto the draft text in negotiations in Geneva.

Mr Richard Starr, Australia's ambassador to the Geneva-based United Nations disarmament conference, said his government would work with "friends of the CTBT" to take the draft pact directly to the United Nations General Assembly in New York. "The treaty text must not be allowed to die," he said.

Unlike the 61-member disarmament conference, which operates by consensus, the General Assembly can approve the pact by majority vote.

All five declared nuclear powers - the US, UK, Russia, China, and France - are backing the Australian move, but it is not clear whether they will become co-sponsors of the UN resolution. Mr Starr said the Canberra government had not yet taken a final decision on how to proceed.

However, the treaty's supporters hope to stick to the original timetable of having it endorsed and ready for signature by the General Assembly's 51st session, beginning on September 17.

Australia, with New Zealand and Mexico, sponsored last year's General Assembly resolution asking the disarmament conference to present a nuclear test ban treaty for signing next month.

The draft pact, the outcome of 31 months of negotiations in Geneva, would permanently outlaw all nuclear explosions, enshrining in international law the voluntary moratorium on testing

now being observed by the five nuclear powers.

But on Tuesday, India blocked agreement to transmit the text to New York. New Delhi objects to the treaty because it does not contain a time-bound commitment by the nuclear powers to scrap their nuclear arsenals and because it requires ratification by India (and 43 other nations) in order to come into force.

Western nations regard these arguments as specious and many developing countries have also been dismayed by the Indian decision, widely seen as protecting the country's nuclear option rather than upholding a principled stance on disarmament.

India tested a nuclear device in 1974. Mr Starr said that in view of the "paralysis" in the disarmament conference, the broader international community should be given the opportunity to endorse the treaty. He underlined that it would be submitted to the General Assembly for approval without amendment.

All five nuclear powers, in virtually identical language, yesterday repeated their support for the draft "as it is". "This is the text that can give us a treaty - no other," Mr Starr said.

Mr Stephen Ledogar, US disarmament envoy, acknowledged there was a risk that countries would try to unpick the text in New York but said he thought there was "a very good chance of success".

Even without India's participation the treaty is seen as having moral dissuasive value. "The signature of this treaty by a credible number of states, including the five nuclear weapons states, will have an immediate impact on global behaviour," Mr Starr said.

ANC confesses rights abuses

By Roger Matthews in Cape Town

South Africa's ruling African National Congress yesterday named more than 30 men executed in its training camps in evidence it has submitted to the country's Truth and Reconciliation Commission.

After the carefully qualified apology made on behalf of the National party by former president F.W. de Klerk on Wednesday before the commission investigating human rights abuses committed during the apartheid era, it was the ANC's turn to justify its actions.

While Mr Thabo Mbeki, deputy president, claimed the ANC had fought a "just war" against white rule, he also testified about some of the brutal aspects of that struggle. Addressing the commis-

sion, chaired by Nobel prize winner Archbishop Desmond Tutu, he listed names of 34 men executed on the orders of military tribunals in ANC training camps in Angola.

He said they had seriously violated the military code of conduct, sometimes by mutiny, including attacks on senior officers.

However, the ANC asked the Commission to understand the sometimes difficult conditions in the camps, and the effects of being under constant threat from the apartheid regime. Mr Mbeki said that the movement never accepted that power grew out of the barrel of a gun, but it would never have achieved freedom by relying on parliamentary opposition.

"The majority of our country, oppressed as a colonised people, had an equal right as did other colonised people for self-determination, and to

engage in struggle to achieve this right," said Mr Mbeki.

"We were therefore engaging in a just war," he added.

The ANC, he said, had made a determined effort to ensure the "irregular war" was conducted according to international conventions, and any resultant behaviour not consistent with those aims "betrayed the humane character of the movement for national liberation".

Mr Mbeki, like Mr de Klerk the previous day, acknowledged there were also cases on the ANC's side which the Commission might investigate as they could fall into the category of "gross human rights abuses".

However, Mr Mbeki insisted that these were the exception, and had to be viewed within the context of the time. "We deeply regret the loss

of lives caused by operations of this nature," he said, "but the overwhelmingly majority of actions were carried out in the course of a just war of national liberation."

The ANC also distanced itself from the practice of "necklacing" - putting a tyre around a victim's head and then setting it alight - and asked the Commission to understand the "highly abnormal circumstances in which such actions took place".

It suggested the practice had been initiated by members of the security forces, and used as a weapon with which to discredit the organisation.

The Commission is investigating a series of atrocities carried out during the apartheid period, and has the right to give amnesty to those who fully confess, and provide reparations for victims.

NEWS: WORLD TRADE

IT liberalisation 'would benefit US'

By Edward Luca in Davos, City, Philippines

Several South-east Asian members of the 18-nation Asia Pacific Economic Co-operation forum yesterday distanced themselves from US proposals to fully liberalise trade in information technology and products, claiming that the initiative disproportionately benefits US businesses.

The proposals, which have also been submitted to mem-

bers of the Geneva-based World Trade Organisation in advance of their ministerial meeting in December, were criticised for lack of clarity by members of the trade forum.

The US initiative, which would seek to eliminate tariffs on IT products such as computer software and hardware and related telecommunications goods, is intended to push the WTO's new trade agenda forward at the December meeting in Singapore. But US plans to

persuade Apec to adopt a common line on IT liberalisation encountered widespread scepticism yesterday.

"Some lesser developed Apec members thought the proposal as it stands would be of more benefit to the US than its trading partners," said Mr Antonio Basilio, chair of the Apec senior officials' meeting in Davos, Philippines. "A lot of countries felt they were at an embryonic stage of IT development and it might be premature to cut tariffs to zero."

The US plan, which will also be discussed at the Apec heads of state meeting in Manila in November, was also short on detail, officials said. It did not specify a timetable for tariff cuts and it did not spell out exactly which product categories would fall under the plan.

"IT is a potentially very broad area," said one south-east Asian delegate. "It could cover almost anything high-tech, so we need to sort out the nomenclature." Delegates said the US

hoped to persuade Apec to take a common stance on IT liberalisation as a method of raising pressure on the EU - also thought to be sceptical - to embrace the plan.

Apec members, however, reaffirmed yesterday a pledge to push for full implementation of commitments under the 1994 Uruguay Round world trade accord before the December meeting.

Apec, which has pledged to eliminate barriers to trade and investment by 2010 for developed members

and 2020 for developing members, also agreed a common line to push for early resolution in Singapore of the Uruguay Round's "unfinished business", notably on liberalising trade in financial services.

Apec comprises the US, China, Canada, Chile, Taiwan, Australia, New Zealand, Mexico, Thailand, Malaysia, Singapore, Philippines, Indonesia, Hong Kong, Japan, South Korea, Papua New Guinea and Brunei.

WORLD TRADE NEWS DIGEST

S Korea foreign investment move

South Korea yesterday said it would offer foreign companies the free lease of state-owned land for a period up to 20 years as a part of a programme to encourage foreign investment.

South Korea has one of the lowest rates of foreign investments in East Asia due to bureaucratic controls and the high cost of land. As part of its application to join the Organisation for Economic Co-operation and Development (OECD) this year, Seoul has promised to reform its foreign direct investment policy.

The government reiterated earlier promises that foreign companies will no longer need state approval to make investments in the country from next year. Friendly mergers and acquisitions will be permitted, although the government reserves the right to approve agreed takeovers of companies with assets of \$2.5bn or more. Hostile takeovers remained banned, however.

Foreign-owned enterprises will be able to borrow long-term loans of five years or more from their parent companies from 1999. John Burton, Seoul

Siemens in \$2bn China deal

Siemens, the German electrical and electronics group, said yesterday it was heading a consortium to equip one of China's biggest coal-fired power plants costing nearly \$2bn. With Foster Wheeler Energy of the US, Siemens power generation group KWU will provide more than \$700m worth of equipment and services.

Siemens said its share of the consortium's contract would be at least 50 per cent. The contract for the plant, ordered by the Yangcheng International Power Generating Company (Yipco), was signed yesterday in Beijing. The plant will be one of China's largest at 2,100 MW. Siemens is involved in five coal-fired power plant projects in China totalling 5,100 MW. The plant will be built on a coal mine site 800 km south-west of Beijing in Shanxi province. Andrew Fisher, Frankfurt

Chip market 'worth \$24.6bn'

Dataquest, the technology research firm, says the worldwide market for semiconductors was worth \$24.6bn in 1995. The figure is the firm's first estimate of the global consumer electronics semiconductor market.

Toshiba led the market, with nearly \$3.3bn in sales, and a 13.4 per cent market share, followed by NEC with \$2.7bn in sales and an 11 per cent market stake and Matsushita Electric with \$1.9bn in sales and a 7.7 per cent market share. Reuter, San Jose, California

Australia water deal for UK

A British-led consortium, headed by North West Water's Australian arm, has won a A\$110m (US\$82m) contract for 10 new water treatment plants to service rural areas of South Australia.

The consortium, known as Riverland Water, will finance, build and operate the plants. Water will be supplied to households and businesses, with the first of the facilities due to come on stream by late next year. A second plant is due to be completed shortly afterwards and the rest will be brought into operation in 1998 and 1999. About half of Riverland Water's equity will be owned by North West Water Australia, with minority stakes by AMP Investments, the investment arm of the country's largest life office, and Bechtel Enterprises, part of the US-based engineering group. Nikki Tait, Sydney

Suez Canal fights to win back trade

Sean Evers examines the challenges facing the Egyptian waterway 40 years after nationalisation

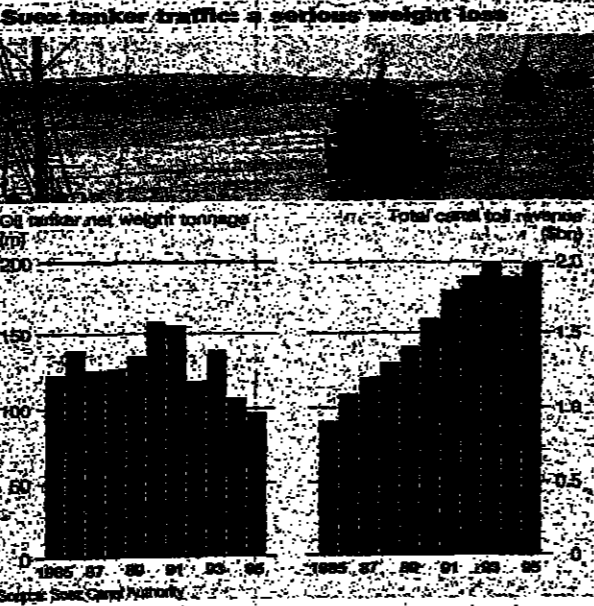
We shall all defend our freedom and Arabism. I announce the nationalisation of the Suez Canal. It is now an Egyptian national company," said General Abdel Nasser on 26 July, 1956.

These historic words were greeted with frenzied applause throughout the Arab world, words which have been played and replayed ever since.

Forty years on, the real challenge for the Suez Canal Authority (SCA) is to win back traffic to the canal, especially the northbound oil tanker trade, which accounts for one third of its \$2bn annual revenue.

This traffic has dropped by over 30 per cent between 1991-95, from 3,549 vessels to 2,473, with net tonnage cut from 156,900,000 to 96,980,000. The total number of vessels using the canal, the main conduit of maritime trade between east and west, has fallen from 19,791 in 1985, to 16,061 last year.

The trend towards larger vessels for cargo and crude has worked against the canal, being unable to make the 195km run between the Red Sea and Mediterranean when fully loaded.



Oil tanker traffic and total canal tonnage

could cut tariffs by up to 90 per cent if necessary. This year the SCA has frozen all tolls, at 1994 levels, and introduced special discounts for long-haul oil tankers. These include a 10 per cent cut for all oil tankers using the canal and a system of incentives based on the total volume of crude shipped by each customer. A discount of 20% for each round trip made by tankers carrying over 4m tons was also introduced.

Before the canal was closed for eight years following the 1967 war, crude carriers made up over 60 per cent

of the yearly tonnage. Now they account for only 20 per cent. Much of the oil from the Gulf states to the US and Europe is now either being carried by large ships around the Cape, or through the Suez-Mediterranean (Sumed) pipeline, which runs diagonally across Egypt from the Gulf of Suez to the Mediterranean. The Sumed is half owned by Egypt, and half owned by five of the Gulf's main oil producing countries, who have more incentive to use the pipeline than the canal. To help fend off these chal-

PANAMA CANAL TOLLS TO RISE

The Panama Canal's tolls will increase in 1997 and 1998 to help pay for a 10-year, \$3bn expansion and maintenance programme, Reuter reports from Panama City. Panama Canal Commission officials proposed the general toll rate be raised 8.2 per cent on January 1, 1997, and 7.5 per cent on January 1, 1998, chairman Joe Reeder said. The rises were made necessary by acceleration of maintenance and capital improvements projects. "That acceleration brings forward some costs to the canal, which is very much related to the plan to raise tolls," he said.

longes, the SCA is working on an ambitious plan to deepen the Canal to 62 feet by the year 2000. This will accommodate the new generation of double hulled tankers ranging up to 250,000 dead weight tonnes fully laden.

It is still a long way off the depth required for very large crude carriers (VLCCs), which draw between 68 and 70 feet when fully laden.

The canal's main weapon will be "Masbor", the biggest dredger ever built, now being prepared for launch at the Kinderdijk shipyard of IHC Holland of the Netherlands. The new cutter dredger has an installed capacity of 30,080 hp and costs about \$100m. It is expected to join the SCA's existing 12 dredger fleet by mid-September.

In March, the SCA completed the first round of dredging. The canal was deepened from 56 feet, to allow ships with a 65 foot draught to pass through. These steps have increased

the canal's capacity from 150,000 dwt to 180,000 dwt fully laden, and 580,000 dwt in ballast. The canal can now accommodate super oil tankers with lighter loads, and the world's largest bulk carriers. Sumed has stepped up the pressure on the canal by increasing the pipeline's pumping capacity from 84m to 117m tonnes of oil a year, equivalent to 2.5m barrels a day. It has also greatly expanded its storage capacity at both terminals.

For its part, the canal authority is attempting to secure an agreement from Sumed to bar any tanker small enough to use the canal from transporting its oil through the pipeline. The SCA has introduced incentives for super-tankers to empty some cargo at the Am Sukhna terminal of the Sumed pipeline, allowing them to pass through the canal, and reload at the other end.

Tolls of \$0.63 will be levied

on each metric ton of crude oil cargo rather than on the net tonnage of the tanker. The maximum tolls for the round trip of such tankers, loaded and ballast, will be \$500,000. Even though the London daily Lloyd's list calculated that a large tanker could save up to \$200,000, few have been tempted.

The Israeli Tipline is another competitor for north bound oil traffic, with a present pumping capacity of 0.7m b/d from Eilat.

With the current stagnation of the middle east peace process, it is unlikely that Israel will attract, for the time being, any significant volumes of Gulf Arab and Iranian Oil. However, over the next five years, the Israel Port and Railways Authority will invest \$920m to develop facilities at Haifa and Ashdod ports.

Despite the SCA's new initiatives, the seven months to July this year has seen 122 fewer oil tankers pass through the canal, with a 16% fall in net tonnage, compared with the same period last year. This is combined with a 2.4 per cent drop in total canal revenue, one of Egypt's main sources of foreign currency. In the background is whether the SCA should continue as a state-owned entity. It is a question that will have to wait until well after the 40th anniversary celebrations of nationalisation have ended for an answer.

NEWS: ASIA-PACIFIC

China shows anger at Taiwan impasse

Frustration is behind Beijing's demand, writes Tony Walker

Since Taiwan's March presidential elections a silence had settled across the Taiwan Strait after the sound and fury of the pre-election period, when China lobbed missiles into waters off Taiwan and lambasted its president as someone destined for the "dustbin of history".

But now Beijing has resumed its call for "political talks" in what is being interpreted as an attempt to exert renewed pressure on the Taipei leadership at a time when it has begun to show signs, once again, of wanting to enlarge Taiwan's international living space.

Increasing involvement of Taiwan business in its economy as a potent catalyst for reunification.

Western officials believe Beijing's decision to break its silence over the failure to resume negotiations with Taiwan also reflects frustration with a lack of progress since the Taiwanese presidential elections in March.

China may also be reacting to a statement earlier this month by Taiwan's President Lee Teng-hui in which he expressed concern about the size of Taiwanese investment flows to the mainland.



Carrying a big stick: The Chinese navy fires missiles in exercises off the Fujian coast

While Taiwanese leaders still espouse the reunification of "one China", Beijing suspects president Lee Teng-hui favours a "splitist" policy of one China, one Taiwan or "two Chinas".

Beijing may also have been influenced to increase pressure on Taiwan at this time by its recent diplomatic success in persuading the African state of Niger to switch its recognition from Taiwan after four years,

Vietnam jails dissidents

Two prominent critics of the Vietnamese government were jailed yesterday and another received a suspended sentence for allegedly revealing state secrets after a trial

Two prominent critics of the Vietnamese government were jailed yesterday and another received a suspended sentence for allegedly revealing state secrets after a trial condemned by human rights organisations.

All three were outspoken critics of the government or Communist party. They had been campaigning for more democracy and for the rehabilitation of victims of past political purges.

INTEREST RATES CUT IN BID TO MAINTAIN GROWTH

China yesterday announced a substantial cut of 1.2 percentage points in its lending rate in an apparent attempt to maintain strong economic growth.

Jakarta proposes deal with Megawati

By Manuela Saragosa in Jakarta

An Indonesian court has postponed the hearing of a legal suit against the government filed by Ms Megawati Sukarnoputri, the ousted opposition leader.

Ms Megawati, who did not attend the hearing, is suing the government for supporting a congress of the Indonesian Democratic Party (PDI) which she argues deposed her illegally as the party's leader.

Her supporters have dismissed suggestions that Ms Megawati is retracting her case by agreeing to negotiate on the government's proposal, arguing that this is a standard procedure in civil cases in Indonesia.

"Whether we argue in court or out of court, the issue is the argument itself," said Mr Kwik Gian Gie, an economist and one of Ms Megawati's advisers.

Observers say the government proposal, details of which were not made public, is likely to fall short of accepting the claim that the PDI congress in June was illegal.

Its attempt to reach an out-of-court settlement is seen as an attempt to remove the case from the public eye.

Ms Megawati's agreement to study the proposal is a sign she wants to abide by the law, her supporters say. Although her removal from the PDI leadership led to some of the worst rioting for two decades, Ms Megawati says she rejects violence and has vowed to pursue her leadership battle through legal channels.

Prosecution drops Elliott case



Elliott: attacked prosecution

By Nikki Teit in Sydney

Mr John Elliott, the Melbourne-based businessman who sprang to international prominence as the head of the Elders IXL brewing and agribusiness group in the late 1980s, was yesterday formally acquitted of theft and conspiracy charges.

The dramatic end to the costly, three-year-old legal action came after the prosecution announced that rulings by the judge meant it no longer had a sustainable case to present, since most of its evidence had been deemed inadmissible.

In a ruling on Wednesday, Justice Frank Vincent said that the National Crime Authority had acted unlawfully in its investigation of the case and that "the fruits of the NCA's unlawful activities should not be admissible in evidence".

A triumphant Mr Elliott, who had maintained his innocence throughout, immediately lashed out at the NCA, which he had claimed from the outset overstepped its authority.

"They did not want the facts, they wanted to entrap. They were not seeking justice and truth, only glory by trying to knock off a tall poppy," he said, calling for a royal commission into the NCA.

The NCA, however, said that while it accepted the judge's ruling, it did not agree its actions had been unlawful. In the interests of clarity, the Director of Public Prosecutions, who brought the case against Mr Elliott, is to appeal against the judge's ruling, a move which the NCA said it welcomed.

"While it will not affect today's outcome, it will be important in clarifying the legal power of the authority," it said.

The charges against Mr Elliott were first laid in 1993, and he was freed on bail of A\$450,000 (US\$353,000). The prosecution had claimed the businessman conspired to disguise the theft of A\$6.5m under the guise of two fictitious foreign exchange transactions in 1988.

Japanese worry over security after kidnap

By Eniko Terazono in Tokyo

Prime minister Ryutaro Hashimoto's visit to Mexico this week may have helped spur the release of the kidnapped Sanyo executive, Mr Mamoru Konno, but the next Japanese businessman abducted overseas may not have the good fortune of a prime ministerial presence.

The kidnapping highlighted the vulnerability of Japanese expatriates to abductors. Mr Konno, head of a Sanyo Electric subsidiary, was released for a \$2m ransom on Monday. But next time Japanese companies will need to be better prepared, says Mr David Bong, head of the Japanese operations of Kroll Associates, the US risk management consultants.

"The Sanyo incident has set a dangerous precedent since it makes other criminals think they can get away with the same thing," he says.

The abduction of Mr Konno was not the first kidnapping of a Japanese executive.

The affair has caused many Japanese companies to review their security and crisis management measures for their overseas operations. Mitsubishi Electric has asked the consultants which provide information on local safety in Mexico to advise the company on risk management.

Nissan Motor has asked its international network to reconfirm security measures. Some of its executives, for instance, have changed their commuting schedules.

A report inspired by the Sanyo affair and published this week by the Tokyo-based Council for Public Policy, a think-tank specialising in risk management, urges companies to set up a risk management team within the organisations. The council, which is affiliated to the national police, says: "Japanese companies and expatriates need to realise that they are a symbol of a wealthy country and stand out. They should also acknowledge that all companies face the risk of being targets."

Seoul vows to get tough with demonstrators

By John Burton in Seoul

The South Korean government has announced it will crack down on demonstrations following recent violent student protest at Seoul's Yonsei University, which claimed its first fatality yesterday with the death of a riot policeman from brain injuries.

Officials said rules governing rallies would be tightened, with organisers needing to obtain the written approval of owners of facilities near assembly sites. The cumbersome procedures could in effect outlaw future student demonstrations.

But opposition critics warned that the new controls could further radicalise the student movement by increasing the chances for clashes with police.

The government banned a demonstration calling for the reunification of the divided Korean peninsula based on North Korean proposals. The protest at Yonsei ended on Tuesday when police stormed the university and arrested 3,200 students. The riot policeman who died yesterday suffered brain damage from a rock thrown by a student.

The death toll could climb, with several other policemen and students listed in critical condition. The police are hunting for leaders of Hanchongnyon, the national student organisation that sponsored the demonstration. The government yesterday branded it a "leftist violent organisation" and said its organisers would be prosecuted under the anti-communist National Security Law.

Mr Kim Young-sam, the South Korean president, described the Yonsei protest as an "urban guerrilla operation" and vowed harsh punishment for its leaders. The police have also warned that its forces will be allowed to use guns, instead of batons, against demonstrators armed with fire-bombs and steel pipes. The police crackdown has enjoyed wide public support, with 80 per cent saying they approved the action.

Government officials say they outlawed the Yonsei rally because it would have been regarded by North Korea as a sign of South Korean weakness if it had been permitted to be held. North Korea has scored a propaganda triumph from the police action by using televised footage of the event to convince its citizens that South Korea is still controlled by a "traitorous clique" that oppresses the masses.

thus weakening Taipei's efforts to extend its diplomatic backing. China recently condemned moves at the UN led by Nicaragua at the head of a group of Central American, African and Caribbean countries to secure Taiwan's re-admission to the world body 25 years after its expulsion.

China's publication earlier this week of regulations governing cross-strait shipping was clearly part of attempts to exert diplomatic pressure on Taiwan. Beijing has been pushing for agreement on what it describes as the "three directs" - direct shipping, air and postal links.

Taiwan is reluctant, fearing the mainland's "suffocating" embrace. Beijing would clearly like to bring about a resumption of cross-strait talks broken off in June 1995 in protest at President Lee Teng-hui's visit to the US, but officials are insisting they want renewed negotiations to deal with substantial issues, both political and commercial.

Previous discussions had been desultory and making progress on only minor issues such as fisheries disputes, immigration and repatriation of criminals.

Chinese officials say they don't wish to be engaged in further rounds of aimless discussions with a Taiwan that is simply "buying time" while its leaders continue to pursue their "pragmatic diplomacy". A game of cat and mouse across the Taiwan Strait is set to continue.

S Asian child labour pledge

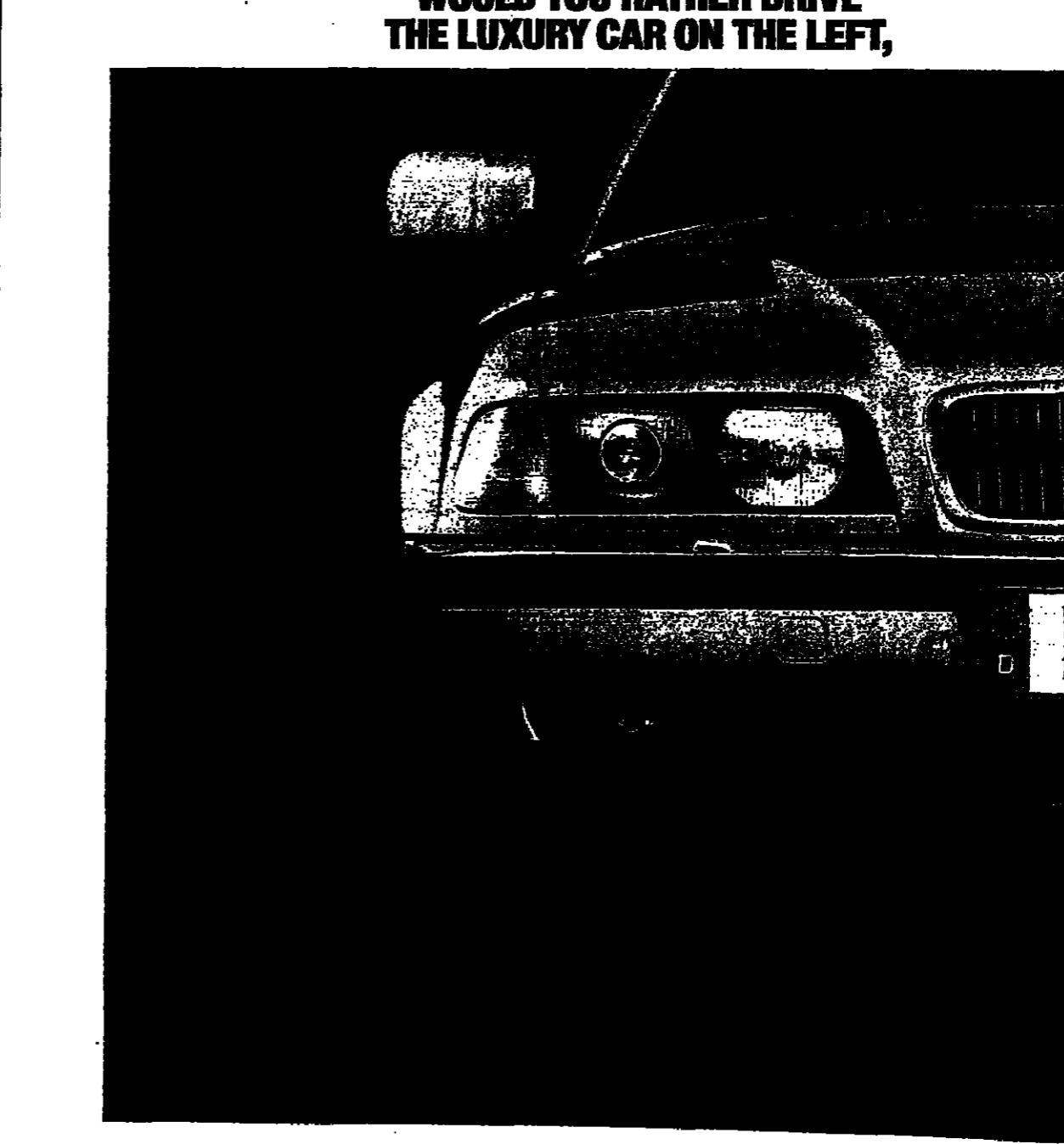
Ministers representing the seven members of the South Asian Association for Regional Co-operation yesterday ended a three-day ministerial meeting with an agreement to end child labour in hazardous professions by the turn of the century. The ministers also agreed to end all forms of child labour by 2010.

Mr Sher Afgan Niazi, Pakistan's health minister, speaking on behalf of the member countries said: "We have recognised this problem (of child labour), we will vigorously combat this problem."

N Korean diplomats expelled

Sweden said yesterday it had expelled three North Korean diplomats in Stockholm, accusing them of being involved in cigarette smuggling. Mr Stefan Björck, foreign ministry spokesman, said the three were ordered to leave the country in July after they were caught smuggling in the Estonian capital of Tallinn.

Pyeongyang's ambassador to Sweden had not been expelled, Mr Björck added.



On the one hand, the 7 Series is a performance machine perfected on a racetrack at the Nürburgring, on a circuit so demanding it is no longer used by Formula One racing cars. On the other, it is a hushed environment that silently whisks you to your destination (as it coosets you with everything from a heated steering wheel to a 330W CD system offering you the acoustic profile of a cathedral or a jazz club).

In short, it is different from every luxury car you may have sat in because it regards the driver as a functioning component of the car. A level of technology unprecedented on four wheels makes all this possible. This technology extends from a computer that will navigate you around an unknown town, to an automatic gearbox that actually adapts to the way you drive.

صحة من الامم

Car workers' union changes tack

By Haig Simonian, Motor Industry Correspondent

Industrial relations in the US motor industry were thrown into confusion yesterday after the United Auto Workers union, which represents most workers in car factories, decided against selecting one of the "Big Three" carmakers as the benchmark company for negotiations.

Mr Stephen Yokich, the UAW president, indicated the mood in industrial relations in the industry had become less confrontational in recent years and suggested the decision not to select a "strike target" reflected that altered mood. "A strike is not what we're about; we're elected to negotiate an agreement," said Mr Yokich.

The union said it would pursue separate talks with the senior managements of all three carmakers pending a decision on whether to pick one company next week as its focus for negotiations.

with the selected car company then sets the framework for arrangements with the other two. The UAW's move caused considerable surprise in the industry, which had been expecting it to announce it had chosen Chrysler, the smallest but currently the most profitable of the "Big Three", as target for the next three-year deal.

Low-level bargaining has been under way between union representatives and the negotiators from the "Big Three" since early June. UAW officials declined to say what their main objectives would be in the next pay round. However, it is widely believed the union will stress job and income security. One of the focal points is expected to be the issue of "outsourcing", whereby carmakers are increasingly contracting out to cheaper suppliers.

Midwest gleams with prosperity as Democrats prepare for their convention

Chicago polishes its image

When Democratic party delegates roll into Chicago this weekend, they will see poppies growing on the verges of the freeways from the airport and potted trees and buckets of flowers lining the streets around the convention centre, while fake gas streetlights will illuminate streets which only two months ago were silted row stretches of the city's west side.

By some estimates Chicago has spent \$180m in local, state and federal funds smartening up the area around the convention centre. The inner city facelift is long overdue, as Chicago's downtown business centre, the Loop, and more distant neighbourhoods are blossoming with rehabilitation projects.

ing a sustained economic boom. The Midwest threw off its rustbelt image a decade ago and now leads both coasts in terms of growth. Its strengths - a central location, a diversified economic base and efficiently restructured manufacturing - are expected to keep the heartland pulse throbbing through the end of the century.

longer, the Midwest has become something of a showcase. Toyota, once the scourge of Detroit's automakers and one of the world's most efficient car manufacturers, has chosen Indiana as the new production centre for its T-100 pick-up truck. Soon, 100,000 trucks a year will roll off a state-of-the-art assembly line in rural Evansville, several hundred miles south of Chicago.



Awaiting a Democratic invasion: Chicago's United Center

collar jobs were lost in the region last year, blue collar workers have better prospects for job security and wage improvement.

Mr Paul Kasriel, economist with Chicago's Northern Trust Bank. "Things look good in terms of diversification and competitiveness."

AMERICAN NEWS DIGEST

US incinerates cold war arms

The US army has begun burning a stash of chemical bombs, rockets and land mines in the first chemical weapons incinerator in America, built to destroy a 14,000-ton stockpile of cold war weapons over the next seven years.

"Everything ran smoothly. No problems," said Mr Craig Campbell, community outreach co-ordinator at the Tooele Army Depot, which holds 44 per cent of America's chemical weapons stockpile. Mr Campbell said all that remained of the first munition, an M-55 rocket containing the nerve agent GB, was molten aluminum and ash. Both were to be sampled and analysed before the second rocket was sent through.

Zapatista rebels sentenced

Seven Zapatista rebels in Mexico have been convicted on weapons charges and sentenced to nearly seven years in prison, a decision that could influence ongoing peace talks in the south-eastern state of Chiapas.

Japanese credits for Mexico

Prime Minister Ryutaro Hashimoto has granted Mexico credits worth \$960m for environmental and trade projects during his 10-day tour of Latin America to improve opportunities for Japanese industry.

Canada cuts rates

Canadian banks will cut their prime lending rate today for the second time this month, further widening the gap between domestic and US interest rates. The prime rate will drop from 6 per cent to 5.75 per cent, compared with a peak of 9.75 per cent little more than a year ago.

Surinam rebel in custody

Mr Ronny Brunswijk, the flamboyant Surinamese former rebel leader, has been taken into police custody on a charge of attempted murder. Mr Brunswijk - who led an uprising in 1986 against Surinam's then military regime which paved the way for democratic elections in 1991 - yesterday turned himself in to the police following accusations that he had tried to kill a man during a brawl last weekend.

Tobacco cases ignite fears

Richard Tomkins on the beleaguered US industry

The US tobacco industry has been on the defensive for years, but there have been few times when it has looked quite so beleaguered as it does now. Today, President Clinton is expected to announce his decision to bring cigarette manufacturers under the purview of the Food and Drug Administration as part of a crackdown on teenage smoking. The move will give the government sweeping new powers to regulate the tobacco industry.

turned on appeal. The picture changed drastically two weeks ago when a six-month jury in Jacksonville, Florida, awarded \$750,000 in damages to Mr Grady Carter, a 66-year-old lung cancer patient, and his wife, Mildred. Mr Carter smoked for more than 40 years before having part of a lung removed in 1981. The jury in the Carter case was influenced by a recent flow of whistle-blowing allegations and leaks indicating that cigarette manufacturers knew more about the addictiveness and health risks associated with smoking than they ever divulged to the public.

OR THE PERFORMANCE CAR ON THE RIGHT?



would appear that BMW engineers were determined to have the best of both worlds. Why else did you work to get to the top? Your local BMW dealer will be happy to show you the as worthwhile.

THE ULTIMATE DRIVING MACHINE

Germany did not intend BSE 'hysteria'

Financial Times Reporters in London, Brussels and Bonn

The German government said yesterday that it had not wanted to unleash a wave of hysteria with its suggestions that sheepmeat could be infected by bovine spongiform encephalopathy. But it insisted there was still uncertainty about whether the disease could be transmitted from cows to sheep.

The row with Britain followed comments by a German agriculture ministry official that consumers should shun British lamb if they were worried about BSE.

Britain's National Farmers' Union said it was "astonished" by the remarks. "It is totally unjustified - an alarmist over-reaction. The current science says there is no evidence to suggest there is BSE in the British sheep flock," an official said.

The European Commission supported Britain in rejecting the German calls and pointed out that only EU-wide action could be justified to deal with any threat.

"We don't support any such recommendation because we don't see any grounds for it," a commission official said, adding that the

commission would not encourage discrimination against British lamb.

A spokesman for the agriculture ministry in Bonn said the comments had been made on television by Mr Werner Zwingmann, a middle-ranking ministry official, on Wednesday evening.

"We did not want to unleash a wave of hysteria," said Mr Dieter Schneider, a ministry official. "We could have said 'no comment' or we could have allowed somebody to take a position. If we had not allowed somebody to comment, the hysteria could have been far

greater because another biologist on the programme took a very critical view of the matter."

Mr Zwingmann's comments caused irritation in Brussels because Germany was the only member state to reject proposals made by Mr Franz Fischler, the EU farm commissioner, that sheep brains, spleens and spinal cords be removed from the food chain.

Mr Fischler's proposal followed reports from the UK and France that, under laboratory conditions, sheep could contract BSE.

The idea was rejected by the EU's standing veterinary commit-

tee on the grounds of insufficient evidence.

Mr Zwingmann said the German government had asked the European Commission earlier this month to check whether BSE could be spread from cows to sheep. He said there were still "gaps in our knowledge."

Germany imported 40,500 tonnes of sheepmeat last year, 4,275 tonnes from the UK. About 43 per cent of the 110,900 live sheep which Germany imported last year came from the UK but in the first three months of this year the figure dropped to 7 per cent.

UK NEWS DIGEST

Lloyd's ruling delayed again

Lloyd's of London has been left waiting another day to hear whether a US federal court will scupper its \$3.2bn (\$4.99bn) recovery plan - which Names have to accept or reject by noon on Wednesday.

Judge Robert Payne yesterday postponed his ruling until late today in a case bought by US Names, individuals whose assets have traditionally supported the recovery plan. The Names want an injunction delaying the plan until Lloyd's complies with US securities laws on the level of information that has to be disclosed.

The delay heightens tensions at Lloyd's where the recovery plan is crucial to securing the market's future. An appeal could still be arranged for Monday, however, and Lloyd's is waiting at this stage to contemplate extending the August 23 deadline.

Ralph Atkins

ECONOMY

'Inflation set to remain low'

Interest rates will not have to rise until after the general election next year as the government's economic policies deliver strong growth but with low inflation, the Confederation of British Industry, the country's largest employers' body, says today.

The CBI's latest economic forecast supports the government's hopes of fighting the election amid a low inflation consumer-led recovery. It suggests the CBI believes Mr Kenneth Clarke, chancellor of the exchequer, will successfully fend off pressure from the Bank of England - the UK's central bank - for higher interest rates ahead of the election, which must be held by the end of May next year.

The CBI's upbeat view comes after official figures yesterday confirmed the economy grew only sluggishly in the second quarter of the year. But the figures suggested output might rebound strongly as companies were now able to meet growing demand from new production rather than existing stocks.

Graham Bowley

MINIMUM WAGE

Institute advises £3.50 limit

A statutory minimum wage proposed by the opposition Labour party should be no more than £3 (\$4.68) to £3.50 an hour for adults, according to Mr John Philpott, head of the Independent Employment Institute. In a report published today by the Institute of Personnel and Development, Mr Philpott says the rate for workers aged between 18 and 25 should be lower and that there should be a "sub-minimum" for trainees and those under 18.

Robert Taylor

INDUSTRIAL ACTION

Rail and mail services hit

Disruption planned for the London Underground rail network today and on Tuesday was averted last night when a trade union representing many drivers accepted a pay offer. But many travellers on the national rail network face disruption on the two days with staff in seven publicly owned train operating companies staging stoppages today.

Thousands of mail workers went on strike for a day again yesterday, and negotiations will resume today at Acas, the conciliation service, to try and resolve the dispute.

Robert Taylor

BSkyB plans to offer fast Internet access

By Raymond Snoddy

British Sky Broadcasting, the satellite television venture, is planning to offer fast access to the Internet through conventional television sets when it launches its digital satellite television service before the end of next year.

The company, controlled by Mr Rupert Murdoch's News Corporation, hopes that broadcasting huge amounts of information to the home, as well as 200 to 300 channels of television, will help to persuade consumers to buy the digital "black box" decoders needed to receive the service.

"The decoders will have the computing power of an average PC and a very fast modem," a BSkyB executive said yesterday. The aim is to deliver information services direct to the television screen rather than just to personal computers, because only 15 per cent of UK homes have PCs and almost all have television sets.

BSkyB, which earlier this week announced pre-tax profits of £257m (\$401m), is planning to open the shops by September next year and plans to have 1m manufactured in the first year. It hopes that the digital

systems, including much smaller satellite dishes than are needed with existing analogue satellite television, will sell for about £200. This is likely to be about half the true retail cost at the outset.

The confidential specifications sent out to decoder manufacturers last month included the requirement for what is believed would be the world's most advanced digital satellite set-top box.

BSkyB is planning to offer two separate Internet services to viewers, as well as home banking, home shopping and other interactive services.

It will broadcast the most popular Internet sites regularly to digital dish owners so that the information can then be used by viewers. It will also be possible to use the modem and telephone to access more specialist Internet sites.

The sophisticated system will also enable consumers to connect everything from audio systems, printers and PCs to the digital decoder.

The group has been negotiating with a number of possible partners such as British Telecommunications, Barclays Bank and Matsushita, the Japanese consumer electronics group.

EU flag use riles Eurosceptics

Financial Times Reporters

The British government's long-awaited launch of its voluntary national identity card yesterday was marred by continued controversy over the use of European Union and Union Jack flags.

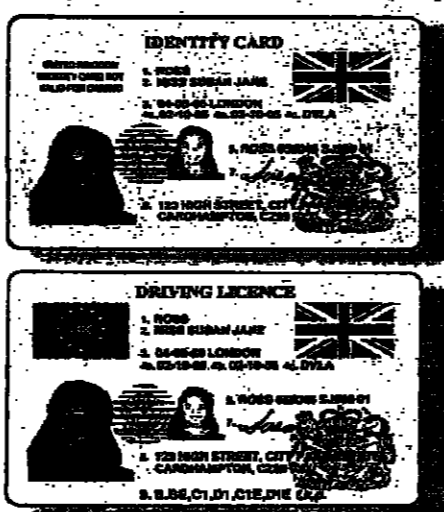
Mr John Redwood, the former cabinet minister who failed last year to unseat Mr John Major from the leadership of the governing Conservative party, attacked the inclusion of the EU flag on the proposed combined driving licence and ID card. He said it would be the first time the UK government had produced an official document incorporating an EU symbol.

"Does the presence of the EU symbol mean we are giving up our independence on these very important justice and immigration matters?" he asked.

But the government's plans were welcomed by the police and financial services companies which have supported the proposals as part of the fight against crime. The UK is one of the few EU countries in which personal identity documents are not issued. British citizens are required to carry passports only for travel to other countries.

Mr Michael Howard, the home secretary, pointed out that, under the complex compromise agreed by the cabinet, the separate ID card would not carry the EU symbol. The EU flag appears on the combined card because it forms part of the new Euro-

Identity cards in the European Union



(Left) the proposed voluntary ID card and driving licence for British citizens

COUNTRY	ID CARD	PROOF OF IDENTITY
Austria	Yes	Voluntary
Belgium	Yes	Compulsory
Denmark	No	ID number
Finland	Yes	Voluntary
France	Yes	Voluntary
Germany	Yes	Compulsory
Greece	Yes	Compulsory
Ireland	Yes	Voluntary
Italy	Yes	Voluntary
Netherlands	Yes	Voluntary
Norway	No	ID number
Portugal	Yes	Compulsory
Spain	Yes	Compulsory
Sweden	No	Bank ID photograph

Source: Hoop Office

pean-standard driving licence.

The row in Britain over the use of the EU flag finds few echoes in the rest of Europe, where documents such as driving licences are often allowed as proof of identity. In Italy, there is no resistance to the use of the EU flag for example, while in France the cardboard identity card carries neither the European Union flag, but it normally carries one or more tax stamps bearing a likeness of Marianne, an embodiment of the French Republic.

Under an EU directive, driving licences with photographs must be introduced

by 2001. Mr Howard said it was "not unreasonable" these should be in a European format incorporating the EU symbol.

The British plans, which have four more weeks of consultation before entering the final stage for approval, involve:

- A credit card-style driving licence, carrying the Union Jack and EU flag, which would be phased in soon after the necessary legislation was passed. Expected to cost about £20 (\$31.20).
- A separate identity card, with the Union Jack, expected to cost between £10 and £15. With no lower age limit, it could be used as a pass-

port in the EU and some other countries.

- A combined driving licence and ID card, with both flags, which would cost two or three pounds more than the driving licence.

The launch of the scheme was delayed because of concerns that an identity card, with the Union Jack would, inflame nationalist sentiments in Northern Ireland.

The cabinet finally agreed the new cards would be available in the region but Northern Ireland driving licences incorporating photographs would be valid until 2001.

Philip Stephens, Page 6

TECHNOLOGY

Has Europe been left behind on the information superhighway? A report published this month sheds some light on countries' relative strengths and weaknesses in information and communications technologies.

The report, commissioned by the Department of Trade and Industry and written by Spectrum Strategy Consultants, compared nine technologically advanced countries: the UK, US, Canada, Japan, France, Germany, Australia, Sweden and Singapore.

One conclusion came out strongly. "The gap between the US and the rest of the world is unlikely to diminish," it says. "The US is rightly perceived to be one of the fastest-moving and most receptive markets for the information society."

Beyond that, the conclusions are less confident. Since countries are emphasising different approaches to the delivery of services - including interactive television and mobile telephones - the consultants argue that it is hard to assess the significance of differing rates of progress.

"Some paths may prove to be technological cul-de-sacs, such as analogue high-definition television proved in the 1980s," they say. "Others, possibly the online Internet path, may have genuinely radical and long-term effects."

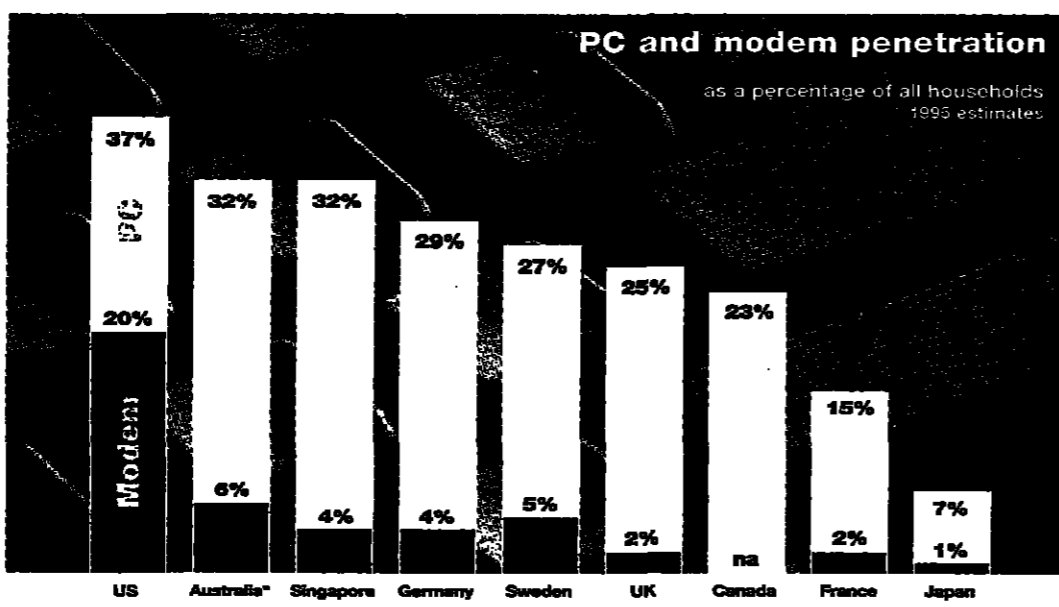
The premise on which the study was based was that a country's economic success is partially determined by its willingness to embrace new information and communications technology. IT products and services increase business productivity and efficiency; a willing uptake of IT will stimulate the growth of indigenous industries.

The researchers argued that the main factors influencing progress towards the "information society" are people's income, the price of services and access to appropriate content and culture. The government's role in promoting, using and regulating information technology is important.

Furthermore, much depends on the strength of the domestic IT and communications industry, its ability to raise capital and the level of skills in the country.

The report concluded that:

- The dominance of the US reflects extensive local content, high PC penetration, competitive pricing of high-speed networks, and the broad base of its communications and IT culture.
- Japan's performance is mixed. Japan's supply industries are strong, with six of the top 10 IT companies in the world. But on



One race, many roads

Vanessa Houlder on a study that assesses countries' progress on the information superhighway

the demand side, there is low penetration of PC, modems, cellular technology and Internet hosts. The uptake of PCs has been slowed by a lack of Japanese software.

- Germany has "performed poorly on several benchmarks relative to other countries". For instance, it has the lowest number of faxes per employee and limited use of the Internet. But it leads all the countries surveyed in terms of ISDN subscriptions and has the highest multichannel penetration in Europe.
- France has "performed poorly on many measures", notably PC density, the use of mobile communications, multichannel penetration and Internet usage. The reasons include high telecommunications prices and the reliance on Minitel telephone-based information services that may have removed the perceived need for PCs and alternative online services. Cultural factors have resulted in restricted use of English language content, limiting the choice for consumers.
- The UK's performance is "more or less" in line with other

economies of comparable size. It performs relatively well on measures such as the use of PCs and cellular technology and a sophisticated telecommunications infrastructure.

- Canada performs relatively well on the benchmarks chosen by the consultants, with the third highest PC penetration of the countries surveyed. But it has the lowest penetration of high-speed ISDN links and a low take-up of mobile services.
- Australia is a close follower of the US in terms of PC and modem density and ranks third in Internet penetration. Its immense size and remoteness from Europe and the US have been the key drivers in the development of a strong communications culture.
- Sweden leads Europe in the uptake of PCs and cellular phones and has cheap international telephone charges. It has benefited from a widespread ability to use English language products and services and the remoteness of some communities which encouraged the use of communication technologies.
- Singapore has high levels of

PC, modem, cellular and paging technology. It has successfully implemented electronic data interchange and has a sophisticated telecommunications infrastructure.

The consultants warn that the report's comments are an attempt to summarise "a very complex and rapidly shifting picture". An early lead in a technology may not lead to a long-term advantage.

Because technology is evolving so fast, it is difficult to determine the form in which it will eventually become established, it says. "One consequence of this is that there is potential for less sophisticated users (and whole societies) to leapfrog their competitors."

"Development of the Information Society: an international analysis. A free executive briefing will be published later this month on the ISI Web site: <http://www.isi.gov.uk>. It is also available from the ISI Info Line: 0345 152000. The main report, costing about £20, will be published by HMSO. Tel 0171 873 9090.

MANAGEMENT

Drilled in innovation

Michael Lindemann reports on how a tip-off to a German company led to radical changes

Like most Swabian entrepreneurs, Hans-Jörg Link likes to keep himself - and his business - to himself.

There is no forecast to show off JEL, a small family-owned engineering company in Germany, tucked away in a non-descript building on the industrial outskirts of Stuttgart.

A solitary phone links visitors to a voice inside the building and then it is straight up two flights of bare stairs and out on to an open-plan floor where a handful of designers are bent over drawing boards.

One thing, however, does set Link apart from his unassuming Swabian counterparts. JEL, founded in 1926, last year won the annual prize for innovation handed out by the Swabian government of Baden-Württemberg, Germany's wealthy south-western state, and things have changed since then.

"I don't believe prizes like that could make a difference," Link says, "but this one certainly has. There is no need to explain oneself any more - people have developed a sort of automatic interest."

That heightened interest could not have come at a better time for JEL, which is trying to break into a new sector of the machine tool business where growth prospects are promising.

For decades JEL - the letters stand for Joh. and Ernst Link, the company's founders - produced large quantities of taps. But, as the founder's son points out, serial production is better left to larger manufacturers. The smaller Mittelstand companies, which form the backbone of Germany's engineering industry, need to concentrate on niche products.

Seven years ago that process was set in motion when Link got a tip-off from a friend in the US that a patent for a drill thread miller had been registered by a former engineer at General Motors in Detroit. Link was quick to recognise

the potential behind the new tool. With its triple ability to drill, chamfer and thread mill, the drill thread miller would revolutionise such simple tasks as the drilling of cylinder blocks.

"We put everything into this tool," Link says. "It was a God-given opportunity."

The gamble, built on a transatlantic co-operative agreement because the GM engineer did not have the resources to develop the drill thread miller, appear to have worked for JEL.

The company recently signed a contract with BMW whereby drill thread millers are now used at the top of BMW's range. Sales last year totalled DM14.5m (\$8.3m) and are this year expected to jump almost 50

per cent to DM21m. The client list is impressive, including Mercedes, Ferrari, McLaren, Volkswagen and Jaguar.

Crucial to the initial success and the future growth prospects is Stuttgart University.

"There were lots of these written on my subject and the engineers there are very good at thinking three-dimensionally," Link says. "That was absolutely decisive for us."

Several Stuttgart University graduates are now employed by JEL and have developed the software needed to use the drill thread miller.

The tools can now be programmed to do precisely what the clients want by means of a program called computer numeric control or CNC - a world away from the old taps, says Link.

Importantly, the flexibility of the drill thread miller matches the increasing flexibility required in manufacturing

processes, Link says.

Larger manufacturers, making perhaps 1m engines a year, can still consider using one tool to make a certain feature on thousands of engine blocks and use another tool to add another feature. Such a process is inefficient for smaller producers, which are better served by the JEL drill thread miller as it enables one worker to add several features at once.

As if the design and manufacturing were not challenging enough, JEL also had to devise a completely new strategy to sell the more sophisticated tool.

Selling at anything from DM400 to DM2,000, they are considerably more expensive than their predecessors. JEL must now spend much more time explaining the attractions of the drill thread miller. The company has tried to help by giving its tools names such as Thriller, but the selling still remains a challenge.

"Above all," says Link, "you suddenly have to explain to the client how much is going to be saved by buying it."

There is an additional problem when it comes to sales. Taps could not be regarded as intelligent machines and selling them was relatively easy. The same applied to the medical implants that JEL also used to make and sell to a single customer - Pfizer, the US pharmaceuticals group.

Now, however, JEL finds itself approaching many different kinds of new clients, and not all, by any means, are German. "I have to learn Czech, English - I suddenly have to learn how to sell tools in China."

The new skills needed to develop and sell the drill thread miller have also opened up more than just sales prospects. Bigger producers have had to trim down and out-source services and that means that "others now come to us and ask us to solve their problems", Link says. "We have become a sophisticated provider of services."

صديقا من الاجل

ARTS

Hot on the jiggling heels of the witless Lord of the Dance show, the Coliseum is showing us a real Lord of the Dance in Mikhail Baryshnikov. He is in London this week with his White Oak collective - gifted modern dancers in intriguing modern dance pieces - and though we welcome the chance to see his colleagues and the work they bring, the point of the show is inevitably Baryshnikov.

Once, in the sort of idle game that devotes occasionally play, compiled a list of "the greatest male dancers I've seen" with two American colleagues. My candidates included such glorious and obvious names as Ballew, Bruhn, Solovoyov, but the ultimate and crowning laurels had to go to Baryshnikov. The exercise might seem a mere and pointless laundry-list, but it identified what Baryshnikov was in his classical days - a sublime virtuoso of noblest style; a dance actor of rare perceptions; an almost flawless artist. (The "almost" a sop to the idea of artistic hubris.)

The astonishing fact now is that, in his post-classical period, when time and knee-injury have precluded the grand challenges of the academic style, Baryshnikov remains a dancer of supreme gifts, sublime integrity. He is what he ever was: a genius of the dance.

He is 48 years old - was it really 26 years ago when he soared and hung gloriously over the stage of the Festival Hall? and his art and his physical command of movement are still uniquely great. For this week at the Coliseum he offers two solos. Mark Morris's *Three Russian Preludes* is set to Shostakovich piano preludes - music both allusive and dense. Baryshnikov, dressed for the office in shirt and tie, trousers and waistcoat, is a man living out fantasies, puppet games, sudden jokey ideas and small tragedies.



Gifted modern dancers: Mikhail Baryshnikov (centre) with his White Oak colleagues in 'What A Beauty'

True Lord of the Dance

Clement Crisp salutes Mikhail Baryshnikov and his White Oak collective

The piece is very Russian - glimpses of Chekhov or Gogol are there - and the dance sets him moving through micro-second incidents, tiny moods. Concentrated, dancing with the most wonderful control and ease, Baryshnikov is the very spirit of the music.

Chaconne from Bach's second partita (in the Busoni transcription) was an exploration of the music's formal power, but owed something to the Mexican roots of the chaconne and to Limon's admiration of Bach. Baryshnikov brings to it exactly the majesty in phrasing, the commanding sense of architecture in dance and music, which makes it live again. The music flows through him. He reveals it to us in

long spans of dynamics. It is prodigious dancing. The White Oak artists are seen in three pieces. Ruthlyn Salomons has made a gentle, agreeable quartet for women, using Villa-Lobos works for piano and cello in *Quiet as it's kept*, and Kralj Patterson's *What a Beauty!* is set to Smetana's first string quartet, the dance starting with the second movement. It is emotional music, rather too folksy for my taste, and

there is a lot of emotional folkiness - love lost, found, recalled, regretted - on view. The clothing is contemporary and horrid. Baryshnikov, who joins his colleagues in this, wears a suit made for someone else, and the cast are caught up in a "Who's got the ugliest shoes" contest. Merce Cunningham's *Septet* - Satie and jokes - completes the bill, and is feisty done.

is live and well played (the pianist Nicholas Reveles admirable in the Shostakovich and Bach/Busoni). The lighting of every piece - by David Finn and Michael Chybowsky - is superb. Our local princes of darkness, who make dancing here even murkier than it is, should mark and learn.

The White Oak season continues at the Coliseum until Saturday.

Promenade concerts New York extravagance

America's oldest orchestra came to the Royal Albert Hall this week, determined to show off its own strengths rather than those of its conductor, Kurt Masur. Tuesday brought two extrovert pieces, *The Esplanade* and Tchaikovsky's Fifth Symphony, separated by a pensive concerto for cor anglais by Ned Rorem (b.1923); on Wednesday Brahms's Violin Concerto was unaccountably paired with a suite from Prokofiev's *Romeo and Juliet*.

Masur's relationship with the New York Philharmonic is five years old, and like any successful marriage, the good qualities on each side have begun to rub off on the other. The orchestra sounds in better shape than it has been for years. It has become a less abrasive instrument, without losing any of its colourful virtuosity. That much was clear from the Strauss, which ran the gamut from tender warmth to jazzy swagger. The Prokofiev was equally polished, with a transparent softness in the strings and a brass choir which was never less than perfectly tuned; a bouquet for the principal horn, Philip Myers, for his resplendent contributions.

Masur, in turn, has lightened up. The partnership clearly works - but it is never going to raise the roof, as his logical account of the Tchaikovsky illustrated. In the best German Kapellmeister tradition,

Masur's mission is to serve the music and his players rather than dictate in the maestro mould of a Karajan or Muti. These performances were never less than musically, but they lacked that last ounce of personality which turns a festive occasion into a musical event. Rorem composed his concerto four years ago for Thomas Stacy, the Philharmonic's cor anglais player, who captured its solitary, song-like qualities without masking the fact that this is not a natural instrument for display. It sounded more at ease in its nocturnal dialogues with cello and horn than in the faster movements, which found Rorem falling back on dull string tunes and Ravellian woodwind effects.

The Brahms concerto, with Anne-Sophie Mutter as soloist, was one of the great Proms performances. Mutter's playing was rapt and intimate, with a soulfulness and sense of freedom that brought out an aching, yearning quality in the music. It was played from the heart, and where undervalued virtuosity came into play, as in the first movement cadenza, it was entirely at the service of the music. Masur's accompaniment was equally inspired - all the greater pity that, in contrast to some other tour venues, he chose not to follow it with a symphony by Beethoven or Bruckner.

Andrew Clark

Norwegian nights

The high pressure life led by some of today's international conductors was brought home earlier this year when Mariss Jansons was struck down by a heart attack. Youthful-looking and dynamic, Jansons is one of the most exciting conductors of his generation and his enforced period of convalescence has come as no less a body blow to the orchestras with which he is associated.

He has been music director of the Oslo Philharmonic since 1979, and the orchestra has reached heights it never dreamt of, winning a record contract with EMI and undertaking regular foreign tours. This week it was back to give a pair of concerts at the Proms, (some of some of its most notable successes), but for the first time without its charismatic champion.

It cannot have been easy for the young Austrian Manfred Honeck, who took over not only Jansons's place but also two programmes that had been specifically designed for him. One half expected the baton to spring to life of its own accord, sparks flying from its tip. In fact, a sizzling Overture to Rossini's *L'italiana in Algeri* did start off Sunday's concert rather like that.

Honeck conducted performances with plenty of youthful energy. In Mahler's Fifth Symphony, the main work on Sunday's pro-

gramme, there was not Jansons's phenomenal inner clarity of sound, but the orchestra's general standard of execution held up well. Naturally enough, Honeck sees the symphony within the Austrian tradition, so the scherzo went with a waltz-like lilt and the finale's part-writing was classically neat, but Mahlerian passion never felt short-changed.

The Monday concert opened with some untidy playing in Bartók's *Music for strings, percussion and celesta*, which took the edge off an otherwise atmospheric performance. There were no misadventures, too, in Dvořák's "New World" Symphony but Honeck again found most enjoyable freshness of spirit to carry it through to a high-energy finale.

Each programme had a Norwegian centrepiece. On Sunday, Barbara Bonney sang a group of Grieg songs, including two *Peer Gynt* solos, with glinting clarity of tone like a ray of Northern sunshine. On Monday, any lingering trolls were sent packing by the first UK performance of Alfred Jansons's Interlude (1984-5), which explodes with the very un-Norwegian emotions of anger and political rebelliousness. There is not a lot of music in it, but the Prom audience enjoyed its noisy orchestral gestures.

R.F.

Theatre Restoration wit

Every summer, Hampstead's New End Theatre modestly revives a rare Restoration comedy which broadens our perspective on a most pernicious age. This year, *Love in a Wood*, or *St. James Park* (1671), William Wycherley's first play, announces the intricate interplay between marriage, money and morals which he later developed in *The Country Wife* and *The Plain Dealer*.

Wycherley enjoys threading up multiple plots of jealousy and double-crossing. There is even a hapless knight called Sir Simon Addeplot. Geraldine Buzzell has designed a corridor of green fold-away doors, each one factually revealing a new character, another clandestine coupling, a new deceit in a new plot spin.

Restoration play starting is its bleak view of courtship. Michael Cabot's unsensational direction focuses on two desperate rapes. Alderman Gripe, a zealous hypocrite who forbids his daughter to consort with sinners, is a man whose own "filthy lust" leads him to debauch a "honeysuckle" virgin.

Welling the immorality of an amoral vitality in the language. It is cruel: "Though art as envious as an impotent lecher at a wedding". It is naughty: "I vouchsafe she kisses me as tamely as Mrs Ticklish - and with her mouth open too". It is even of historical-culinary interest: "A complexion like a Holland cheese". "Can you have a heart to say you will never more break a cheese-

cake with me?" (Congreve's *The Way of the World* has the insult: "And [if] she should [frown] her forehead would sparkle like the coat of a cream-cheese"). *Love in a Wood* also introduces us to Mr Dapperwit, doyen of "the coffee house sages", played with gusto by Robin Sebastian. He delivers a brilliant monologue describing a quintet of archetypes: the flattering Court Wit; the gossiping Coffee Wit; the hot-headed Pole Wit; or Political Wit; the melancholic writer Scribble Wit; and the Judge Wit, or Critic, who "trails at all wit, damns all but self".

The intelligent, sober performances of this 16-strong company provide a valuable opportunity to appreciate Wycherley: one of the most acerbic wits of English drama.

Simon Reade

At the New End Theatre, Hampstead, until Sept 8 (0171 794-0022). Sponsored by Mitsubishi Electric PC Division.

Youth and music

The economics of putting on concerts means that professional orchestras rarely bother with some of the most ambitious pieces. We get to see Schoenberg's *Massebe*, hugely demanding, *Gurrelieder* quite often these days, but only because youth orchestras have taken it up as a glorious showpiece for their students.

This summer the Gustav Mahler Jugend Orchester (founded by Claudio Abbado in the mid-1980s to bring together students from the two halves of a divided Europe) has made it a high point of both the Salzburg and Edinburgh festivals. On Wednesday, at Edinburgh's Usher Hall, Abbado and his young players made a tremendous impact.

In a helpfully symbolic way, *Gurrelieder* is itself a divided work that straddles the old world and the new. Schoenberg wrote the first half in the grandest, most decadent, post-Wagnerian style possible, but by the time he came to finish the work off, he was striding into a 12-tone future. The orchestra excelled in both: the burning glow of the string tone in the romantic first part gave the lie to the usual weakness of youth orchestras and all the players kept up a keen level of

concentration in the music's more difficult later stages.

For soloists, Abbado supplied singers from his favourite circle. Jane Eaglen's soprano was splendidly steady as Tove, though she does not use the words to colour and vary her tone; Thomas Moser's appropriately Germanic tenor sounded short on power at the top for Waldemar. Marjana Lipovšek delivered the Wood Dove's narration with some intensity. Kurt Azeberger lacked character as Klaus-Narr the Jester, but Franz Grundheber was a strong, dark-voiced Peasant.

But one's attention was

focused on what was going on in the orchestra, because that was where Schoenberg's grossly over-written score was really coming alive. This was the last performance of five on the orchestra's tour and Abbado exercised complete command of his vast forces, including the combined Arnold Schoenberg Choir and Edinburgh Festival Chorus. It was touching to see Hans Hotter, as the Speaker, treated with such deference - remarkable to think that he is as old as *Gurrelieder* itself.

There has been a late-night extra over three nights with Charles Mackerras and the Hanover Band performing Haydn's six "Paris" Symphonies. Symphonies Nos 85 and 87 on Wednesday went with an abundance that kept the energy level high even as midnight approached. In between was added an extremely odd concert aria, *Fantasia* for three singers and two solo instruments, which included the most unplayable music for solo horn I have ever heard: horn-player Andrew Clark deserves a festival medal for endurance.

Richard Fairman

Hanover Band's Haydn series sponsored by Scottish Widows.

INTERNATIONAL ARTS GUIDE

- AMSTERDAM**
CONCERT
Concertgebouw Tel: 31-20-5730573
● Flammingh with conductor Rudolf Werthen and violinist Jaap van Zweden perform works by Górecki, Tchaikovsky and Shostakovich; 8.15pm; Aug 27
- ANTWERP**
THEATRE
Museum Rubenshuis Tel: 32-3-2324751
● Medea by Marc Steemans. Directed by Martine Boni. The cast includes Anke Helsen, Marjke Pinoy, Peggy Schepens and Marc Steemans; (Tue-Sat 9.15pm; to Aug 31; Not Sun or Mon)
- ATLANTA**
EXHIBITION
High Museum of Art Tel: 1-404-733-4400
● Rings: Five Passions in World Art: the exhibition, organised in

- conjunction with the Olympic Games, explores the power of art to evoke five universal emotions: love, anguish, awe, triumph and joy. More than 125 objects from international public and private collections are grouped into five major sections; each devoted to one of the five passions. The exhibits include El Greco's "The Resurrection", Auguste Rodin's "The Kiss" and Henri Matisse's "Dance (I)"; to Sep 29
- BERLIN**
CONCERT
Konzerthaus Tel: 49-30-203090
● Hans Peter Blochwitz, accompanied by pianist Rudolf Jensen. The tenor performs songs by Beethoven, Zemlinsky and R. Schumann; 7.30pm; Aug 25
- EXHIBITION
Alte Nationalgalerie Tel: 49-30-2035550
● Lovis Corinth - Retrospektive: retrospective exhibition devoted to Lovis Corinth, one of the leaders of German Impressionism. The display includes nearly 150 paintings, approximately 80 drawings and watercolours, as well as a selection of prints; to Oct 20
- CAPE TOWN**
EXHIBITION
Wichmanns Collection - Old Town House Tel: 27-21-246367
● Masterpieces on Paper: Prints and Drawings from the Permanent Collection: exhibition featuring works by 16th century artists such as Van Leyden, De

- Momper and Goltzius, 17th century work by Van Dyck, Rembrandt and Van Ostade, but also later work by Jongkind, Maris and Bauer; to Aug 31
- EDINBURGH**
EXHIBITION
Royal Scottish Academy Tel: 44-131-2256671
● David Livingstone and the Victorian Encounter with Africa: this exhibition offers an account of the life and times of David Livingstone, from his birth and childhood in the cotton mills of Lanarkshire to his journeys as missionary and explorer across the continent of Africa. The exhibition presents a diverse range of material from ethnographic items and natural history specimens collected by Livingstone and his parties, to portraits, original photographs, manuscript maps, journals and letters, as well as his travelling equipment; to Oct 6
- HAMBURG**
OPERA
Musiktheater Hamburg Tel: 49-40-346820
● Don Carlos by Verdi. Performed by the Hamburger Symphoniker with conductor Ralf Walkart. Soloists include Leo Nucci and Ruggero Raimondi. Part of the Hamburger Opernwache; 8pm; Aug 24
- HELSINKI**
EXHIBITION
Amos Anderson Art Museum

- Tel: 358-0-640221
● Juhan Hant retrospective exhibition featuring approximately 100 artworks, assemblages and installations by Juhan Hant, dating from the years 1965-1996. Major influences on the work of this artist, who makes his works out of old objects which carry time and memory with them, are early 1980s object art and pop art; from Aug 23 to Oct 6
- INNSBRUCK**
CONCERT
Festwochen der Alten Musik Tel: 43-512-517032
● Ensemble London Baroque: perform music by Bertali and Bononcini. Part of the Festwochen der Alten Musik; 8pm; Aug 25
- LONDON**
CONCERT
Royal Albert Hall Tel: 44-171-5898212
● BBC Scottish Symphony Orchestra: with conductor Osmo Vänskä and cellist Truls Mork perform works by Beethoven, Elgar and Glanert. Part of the BBC Promenade Concerts (Proms); 7.30pm; Aug 25
- EXHIBITION
Victoria & Albert Museum Tel: 44-171-9388500
● Arts and Crafts Architecture: coinciding with the V&A's major William Morris exhibition, this display tells the story of the development from the 1850s of an approach to domestic architecture which matched the

- arts and crafts ideals of William Morris. The display includes work by Philip Webb, Norman Shaw, W.E. Nesfield, C.F. Ashbee and C.F.A. Voysey; to Sep 29
- OPERA
Royal Albert Hall Tel: 44-171-5898212
● Elijah by Mendelssohn. Conducted by Richard Hickox and performed by the London Symphony Chorus, the BBC National Chorus of Wales and the BBC National Orchestra of Wales. Soloists include Bryn Terfel, Janice Watson, Susan Grillon, Pamela Helen Stephen and Mark Tucker. Part of the BBC Henry Wood Promenade Concerts (Proms); 7pm; Aug 26
- LOS ANGELES**
CONCERT
John Anson Ford Theatre Tel: 1-213-4661767
● LA Philharmonic Chamber Music under The Stars: members of the Los Angeles Philharmonic perform Martinu's La Revue de Cuisine and Quartet for Clarinet, Horn, Cello, and Drum, Barber's Summer Music for wind quintet and Dohnányi's Serenade for String Trio; 8pm; Aug 26
- EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● Lari Pittman: this mid-career survey of Southern California artist Lari Pittman highlights 35 of Pittman's works, including new paintings created especially for this presentation. Pittman's work explores issues of individual and

- social identity, often from a gay perspective; to Sep 8
- LUCERNE**
CONCERT
Franziskanerkirche Tel: 41-41-2103562
● Borodin String Quartet: perform works by Debussy, Wolf and Shostakovich. Part of the Internationale Musikfestwochen Luzern; 5pm; Aug 25
- SALZBURG**
OPERA
Grosses Festspielhaus Tel: 43-662-80450
● Elektra by R. Strauss. Conducted by Lorin Maazel and performed by the Wiener Philharmoniker. Soloists include Hildegard Behrens, Karen Huffstodt, Leonie Rysanek, Kenneth Riegel and John Bröchler. Part of the Salzburger Festspiele; 8.30pm; Aug 25
- SZLIZICH**
CONCERT
Tonhalle Tel: 41-1-2063434
● Tonhalle Orchestra: with conductor Gary Bertini and violinist Frank-Peter Zimmermann perform Beethoven's Violin Concerto in D major Op.61 and Symphony No.5 in C minor Op.67; 7.30pm; Aug 28
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Philip Stephens

Dealt a bad hand

Agonising over which symbols should appear on ID cards obscures issues of civil liberty and national identity

Only John Major's government could get itself into such an absurd muddle. It wants UK citizens to carry a new plastic photo-card attesting to their status as loyal subjects of the Crown. To the horror of the cabinet's Eurosceptics, it then discovers that, since the document will double as a driving licence, it must be emblazoned with the star-studded flag of the European Union. Panic.

Ministers concede that, true to the English tradition of civil liberty, an identity card must be entirely voluntary. But it can serve its stated purpose of aiding the fight against crime only if Britain eventually follows the European route to compulsion. Prevarication.

Plus ça change. This half-baked proposal to tighten the grip of the state over the citizen was always destined to end in farce. At every turn it has been shot through with contradictions. Conservatives are supposed to believe in small government. Identity cards extend the power of the state at the expense of the liberties of the individual. John Major is pledged to rebuff the federalist ambitions of Britain's continental partners. Yet the only good reason for the proposed ID is that it will further erode national frontiers within the European Union.

It is a scheme without a sense of national history. During and after the second world war, citizens were obliged for a time to carry a small piece of cardboard as proof of identity. But efforts to extend the practice indefinitely foundered in the courts. In a celebrated judgment in 1952, Lord Justice Goddard declared it inimical to the common law upon which English liberties rest.

Like so many bad ideas (remember the poll tax), the latest proposal was born of a populist pledge at a Conservative party conference. Back in the autumn of 1994

the government was in even worse shape than it is now. Michael Howard, the home secretary, promised the party faithful that a national identity card would be a powerful weapon in the fight against crime. Two years on we are paying the price of his applause.

Consider first the cabinet wrangling over the motif on the card. It is hard to imagine more eloquent testimony to the paranoia which now infects every Whitehall debate on issues European. As one senior minister lamented privately a few weeks back, xenophobia has driven out reason.

Mr Howard can claim he won his battle to ensure the Union flag will rest alongside that of Europe. Michael Heseltine and Kenneth Clarke, the cabinet's most prominent Europhiles, were safely out of the country. It did not take long to persuade Mr Howard that he must appease his so-called supporters on the Tory backbenches.

It is a hollow victory, one which mistakes the form for the substance of patriotism. In France, the flag of Europe is ubiquitous, fluttering above the *mairie* in the smallest provincial town. No-one familiar with that country could claim that the practice has diminished a ferocious

Like so many bad ideas (remember the poll tax), the proposal for identity cards was born of a populist pledge at a Conservative party conference

ciously Gallic grasp of its own identity. As Bernard Shaw once wrote, a healthy nation is as unconscious of its nationality as a healthy man of his bones. Citizens do not need a plastic card emblazoned with the Union flag to discover their identity. Their passports have never carried such a motif, perhaps because many have long preferred to think of themselves first as English, Scottish, Welsh or Irish.

There is too a perfect symmetry between the complexity and the absurdity of the plan. Mr Howard proposes no fewer than three versions of the card. A combined driving licence, identity card and travel document will be adorned by the European and Union flags. For some reason, it will also carry the royal crest. A new driving licence only will also carry both flags but no crest. A third card - a combined ID and travel document for non-drivers - will bear the Union flag and the royal crest but no European insignia.

It does not end there. In Northern Ireland, British emblems can be badges of division. So Irish nationalists in the province will be permitted to hold on to their existing driving licences. Free of all logos.

We should not though allow the idiocies of Europhobia to obscure the more fundamental objections. In one crucial respect, conveniently forgotten by all those patriotic ministers, Britain is different from its European neighbours.

Across the Channel, the obligation to carry proof of identity is matched by a codified framework of individual rights. Britain has no written constitution. The present government refuses to incorporate into domestic law the European Convention on Human Rights. Instead, an unwritten constitution decrees that citizens retain only those rights

which have not been removed by parliament. Among those residual rights, the freedom to go about one's lawful business without hindrance or interference is a pivotal element in sustaining a reasonable balance between the powers of the state and the liberties of the individual. To demand presentation of an ID card is to presume guilt rather than innocence. It is another step along the road to the surveillance society. Citizens who observe the law have the right to be left alone by officials.

But wait, Mr Howard counters, the new card will be voluntary. The police will not be authorised to demand its presentation. For how long? The home secretary will not rule out eventual compulsion. Ministers are confident that the market will deliver what the electorate will not accept from the politicians.

If banks, shops and bureaucrats treat it as such, the card will soon be as good as compulsory. The poor, transient and the marginalised will be left out. But who cares? Once conditioned, the great majority will allow a switch to a mandatory system.

There will be a similar secession too in the scope of the data stored on the card. Safeguards will be promised, but it will not be long before the fight against crime and fraud is seen as sufficient cause to add every detail of the citizen's official status and record. After all, as it is already being said, the innocent will have nothing to hide and nothing to fear.

New Labour will not oppose ID cards. Scrabbling for votes, it wants to appear every bit as tough on law and order. So opposition is left to the citizen. Those who prize their liberty will understand that the plan is as dangerous as it is ill-considered. If enough refuse a card it cannot work.

LETTERS TO THE EDITOR

Number One Southbank Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be sent to +44 171-675 5938 (please set fax to 'line'). A small bonus will be given to authors whose letters are also available on the FT web site, <http://www.ft.com>. Photographs may be included for letters in the main international languages.

British dairy farmers' future soured by EU

From Mr Anthony Rosen.
Sir, How ironic that your report ("NZ dairy farmers enjoy 20 per cent income boost", August 21) should come at a time when British dairy farmers, second only to New Zealanders in their technical efficiency in milk production, should be having to pay an all-time record price to lease milk quota.

The New Zealanders are, quite rightly, meeting the growing world demand for dairy products with efficient production and marketing while European taxpayers are subsidising inefficient and costly milk production to the tune of more than £4bn annually. British dairy farmers will never be able to compete in the growing world market

while they are strangled by Europe's completely unnecessary milk quota regime. I wonder if consumers realise that an efficient British dairy farmer can produce milk for less than eight pence a pint but then has to acquire the necessary milk quota to enable them to sell the milk - this quota costs an additional

eight pence a pint to lease. You don't have to be mad to understand European Union agricultural policy, but it would certainly help.

Anthony Rosen, chief executive, Feenix Farming, Rosehill, Arford, Headley, Hampshire GU36 5DF, UK

Short-sighted measures in Romania

From Mr Brian H. Lait.
Sir, Your article on the fall in value of Romania's first eurobonds ("Economy fears hit Romania's first eurobonds", August 15) seems to suggest this is a sudden surprise.

If the economy continues to decline regarding earnings of hard currencies, how on earth do the financiers and the government expect the bonds to be repaid on maturity? I suppose their simple answer is to issue more bonds.

desperate attempt to shore up a disastrous economic situation in the hope that a miracle will occur after the November election. Encouragement from international banks along such a path will exacerbate the agony that must inevitably follow and demonstrates a remarkably irresponsible attitude to business by those who should know better.

Even the most myopic financier (myopia is an increasing disability within Romanian political and financial circles - otherwise known as the "quick buck" syndrome) has been aware for many months that the Romanian economy is in dire financial straits and the issuance of bonds on the international market is neither a short, nor medium nor long-term solution.

What is needed is the opening of the doors to foreign investors to manufacture for export purposes to earn the hard currencies that will get this country out of the deep hole dug by its monolithic bureaucracy. Issuing bonds and syndicated loans in hard currency smells of a

destitute attempt to shore up a disastrous economic situation in the hope that a miracle will occur after the November election. Encouragement from international banks along such a path will exacerbate the agony that must inevitably follow and demonstrates a remarkably irresponsible attitude to business by those who should know better.

Too hard to put into words

From Dr Walter Grant Scott.
Sir, When "synergy" was the word we celebrated the marriage of two great companies - Thorn and EMI. Now when "focus" is the word, we are celebrating their divorce.

How much of our public and business life turns on the use of a single word.

Walter Grant Scott, Walter Scott and Partners, Milburn Tower, Gogar, Edinburgh EH12 9BS, UK

Strengths of the investment trust structure

From Mr Douglas McDougall.
Sir, The comments in the Lex column of August 15 on the relationship between boards and management of investment trusts fail to recognise one of the strengths of the investment trust structure. It is ironic that they should be sparked by the developments at Kleinwort European Privatisation Investment Trust, where the directors are exercising their independence to protect the interests of shareholders. Lex writes of "many funds where the management company has a controlling

stake and dominates the trust's board". There is no case where a management company has a controlling stake, indeed it is rare for the management company to have any stake at all. Furthermore, the listing requirements of the London Stock Exchange and the membership requirements of this association (representing more than 90 per cent of the industry) state boards have to have a majority of independent directors and to be in a position to act independently of the fund manager. Management contracts were originally intended to

offer protection against a sudden and substantial loss of business which could arise without any fault on the part of the manager (successful trusts have been taken over) and threaten his operation. Notice periods have been coming down and are now often around one year's fee. My impression is that they have been coming down rather more quickly than notice periods for executives. Lex wishes to see a narrowing of the "sector's notoriously big discounts to asset value". Although the average discount has

widened to about 9 per cent recently, it has narrowed from more than 20 per cent in the past decade as the merits of these companies have become better appreciated. Furthermore, our statistics show that, notwithstanding the variations in the discount, investment trusts have performed well over a long period.

Douglas McDougall, chairman, Association of Investment Trust Companies, Durrant House, 8-18 Chiswell Street, London EC1Y 4TY, UK

Europa • Sergio Romano

The Bossi phenomenon

Italy's politics make it easy for the charismatic chief of the Northern League



Umberto Bossi: high priest of Italian northern nationalism

Mr Umberto Bossi, the leader of Italy's populist Northern League, will soon officiate at a new kind of political ceremony. His believers will convene on September 15 on the banks of the Po river, hold each other by the hand and form a human chain.

Mr Bossi will deliver a speech to denounce Roman colonialism and invoke upon the league the blessings of two patron saints: Braveheart, hero of the Scottish fight against the English; and Mahatma Gandhi, hero of India's non-violent resistance against the British Raj. At the end of his speech he will repeat that Italy needs two states, two economies, two currencies.

He will not specify where the border between the two states should be, but will probably ask his followers to proclaim, with an oath of allegiance, the birth of a new nation: Padania.

We do not know the programme of the day yet, but we know that order will be assured by the "green shirts" of the Guardia Nazionale Padania and that the ceremony will take place in the presence of the league's general staff: the members of the league's parliament in Mantua, the members of the Committee of National Liberation of Padania, the league's mayors in the northern cities, and the ministers of the "sun cabinet" (the opposite of the shadow cabinet) under the guidance of Mr Renato Pagliarini, their prime minister.

There will also presumably be a group of businesspeople among those who have accepted Mr Bossi's invitation to mark their products, from now on, as "made in Padania". The event is a good example of the political and verbal eclecticism with which the leader conquered 30 per cent of the northern elec-

torate at the last elections. In Mr Bossi's hands, as in those of King Midas, everything is turned to gold: Braveheart, Gandhi, the references to the Resistance, even the "green shirts" of Hungarian Nazis.

I would not be surprised if hundreds of thousands of people took part. Are they all secessionists? Are they all ready to take an oath of allegiance to "Independent Padania"?

According to Mr Antonio Mancino, the speaker of the Senate, the question should be addressed to the people through a referendum. We would probably discover that northern Italians who favour separation are, among the league's voters, a minority. The majority know that the south is an important market and business people in particular know that the inevitable devaluation of the southern lira, if Padania were to become independent, would convince many northern industrialists to cross the Gothic line and profit from the low salaries of southern workers.

This, however, makes the Bossi phenomenon even more interesting. If only a minority want the independence of Padania, why is Mr Bossi so successful? What are the ingredients of his political capital?

The first ingredient is the enthusiastic co-operation of the media. Mr Bossi supplies press and television with an inexhaustible sequence of incidents, anecdotes, duels, coups de théâtre. He is not only a political leader. He is a magnificent actor who manages to create around himself a stage to which journalists, camera operators and photographers immediately direct their attention.

The phenomenon produces paradoxical consequences. All political leaders rush to climb on the stage and share Mr Bossi's limelight. They criticise and attack him to profit from the visibility of the stage; and they inevitably contribute to the success of his media performances. The second ingredient of Mr Bossi's political capital is represented by the dissatisfaction of northern voters with the malfunctioning of the central state. Having promised a federal reform the Prodi government has taken only some decentralisation measures.

It is probable that nobody, under the present conditions, could do more. A government which must redress the state's finances and leave the budgetary deficit within two years cannot partially transfer to the regions, within the framework of a

federal reform, the control of income and expenditure. But the contrast between words and deeds creates a northern frustration which Mr Bossi skillfully exploits. Many northern citizens support him because they think he is the best loudspeaker for their anger and protest.

The third ingredient is the Italians' political mentality. His programme is volatile, inconsistent and contradictory. When he was a federalist he never provided a complete, rational and convincing blueprint of the federal state he wanted to build.

Today he exhibits the most thoughtless indifference to the eventual consequences of secession. He promises fiscal revolts and declarations of independence, but his promises and threats are cancelled and superseded by other promises and threats. He denounces the conspiracies against the league, but he does not supply evidence for his statements.

Here is a good example of Mr Bossi's technique. Recently in the course of an interview with a journalist of the *Corriere della Sera*, he revealed that the Italian intelligence service had decided to mount a criminal operation - a bank robbery - to frame the league. He brandished a piece of paper, presumably containing the evidence. A few hours later Italians learned that the idea of the conspiracy came from a piece of political fiction.

Under different circumstances and in a different country Mr Bossi's cynicism would have lost him much political credibility.

In Italy the damage to Mr Bossi has apparently been minimal. There are obviously serious and consistent from a politician, but are content with a defiant and boastful swagger.

As long as the media illuminates the stage, the Rome government fails to tackle reforming the state, and the followers of the league do not hold him responsible for his words, there will always be a Bossi in Italian political life.

The author is a historian and columnist for *La Stampa*, the Turin daily newspaper



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FINANCIAL TIMES

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Friday August 23 1996

Bundesbank teases again

The Bundesbank loves to tease. Yesterday's widely unexpected decision to cut the repurchase (or "repo") rate by as much as 30 basis points - to an historic low of 3 per cent - is as characteristic as the then unexpected decision not to cut four weeks ago. But it is welcome. The question is whether it will be enough.

Before the last meeting senior officials hinted that lower interest rates were on the way. Yet nothing happened. What has changed to justify a relatively large cut, the first since early February? Mr Hans Tietmeyer, the Bundesbank's president, points to low inflation and the slowdown in monetary growth. Is this convincing? Up to a point, Mr Tietmeyer says.

Inflation is indeed low. But so it was a month ago. No new information on prices seems to justify the change in interest rates. Year-on-year rates of increase in the cost of living have been about 1 1/2 per cent throughout 1996. The increase in labour earnings in the year to the first quarter was already down to 0.7 per cent.

Moreover, a recovery seems to be under way. The economy probably grew strongly in the second quarter. The business climate index from the Ifo economic research institute, published on Wednesday, jumped to an eight-month high.

Above target

The news on the money supply, cited by Mr Tietmeyer, appears a better justification for cutting rates. While still above its target range of between 4 per cent and 7 per cent, the decline in the annualised rate of growth of broad money (M3) to 8.6 per cent in July, from 9.6 per cent in June, has been helpful. Even so, monetary growth is running above this year's target. Again, it is hard to see why the Bundesbank should cut rates by an unexpectedly large amount, having chosen not to do so only four weeks before. This does not mean the decision was wrong, whether taken yesterday or, for that matter, four weeks before.

In the first place, longer-term monetary trends, rather than

Smoking under fire

America's tobacco companies have been forgiven these days for feeling almost as beset as the pariahs to whom they sell their products. A growing wave of lawsuits brought by smokers and by US state authorities has sent their share prices reeling. Now President Bill Clinton seems set to endorse new rules from the Food and Drug Administration for regulating the sale of cigarettes. Will tobacco companies have to forfeit a large chunk of their US profits? And where is the tide of increased regulation leading?

The first question can only be answered by the courts. But it is now being posed insistently, thanks to a jury verdict in Florida two weeks ago ordering Brown & Williamson, the US subsidiary of BAT Industries, to pay \$78,000 (\$48,870) damages to an addicted smoker and his wife. This was only the second such case to have been lost by the US tobacco industry. Since the first, in the 1990s, was overturned on appeal, this now stands as its only defeat.

The companies' worry is that, with hundreds more cases pending, one more hostile verdict could establish a trend. And the arguments against the industry are growing in sophistication. Juries have in the past accepted that smokers freely choose their vice, but the Florida panel was swayed by evidence that the company had concealed knowledge that nicotine was addictive. Public authorities are increasingly seeking redress for costs incurred through smoking damage.

Limited effects

In practice, the president's move would have limited effects. The rules he seems likely to accept - including a ban on vending machines, curbs on the sale and advertising of tobacco to minors, and restrictions on sponsorship of sport and entertainment - are targeted at discouraging smoking among teenagers. Since addiction is frequently traceable to teenage years, and minors are less equipped to make the necessary discriminating choices, this is a sensible approach.

Nevertheless, the administration would be wise to think carefully before going further down the road of increased regulation. For one thing, Mr Clinton risks deepening the existing anomalies and distortions in drugs policy by singling out tobacco for FDA oversight, but leaving alcohol under a different regime and keeping other, arguably less harmful drugs outside the law.

For another, there is no evidence that heavier-handed regulation would work, any more than prohibition of alcohol worked in the 1920s or prohibition of cocaine works now. State laws ban the sale of cigarettes to minors all over the US - yet 3,000 youths begin smoking every day. The industry may now be a punchbag for some politicians and meal ticket for lawyers, but it would be disastrous folly to turn it into a gold mine for criminals instead.

Health warnings

The proliferation of cases has more to do with the ingenuity of the US legal profession mining a new seam of profit than with the merit of the arguments. It can hardly have escaped the attention of any sentient American that smoking is harmful or addictive, since the US surgeon general's 1966 edict which prescribed health warnings on cigarette packets.

The health authorities' legal case is, if anything, weaker. Although the precise sums are

A world that turns on plastic

The race is on for global payment groups to develop 'electronic purses' using smart cards, say Motoko Rich and George Graham

In Mission: Impossible, Tom Cruise's latest film, the fearless Ethan Hunt breaks into the CIA computer room, disarming a technological stronghold by punching in numerical codes and submitting his eyes for a retina scan.

While most viewers see such high-tech wizardry as fantastical, some of the gadgets may not be far from reality. Researchers worldwide are experimenting with technology which would allow not only security barriers but also electronic payment systems to use the retina, the handprint or even a facial expression as an identification method.

"We are moving into the electronic age where money will just be information about the wealth you have," says Mr Hans van der Velde, president of the European Union region of Visa International. Some companies believe that parts of the body, rather than paper or coins, can be used to establish the amount of money somebody has available to spend.

For the time being, however, most participants in the payment industry believe the best alternative to cash remains the humble, but universal, plastic card.

An increasing number of payment card organisations are replacing the magnetic strip - the present industry standard - with a tiny computer microchip which enables cards to be used not only to carry out financial transactions but also to store data about the card's owner.

A chip-based card is much more difficult to counterfeit than the magnetic stripe card, and can carry details of a cardholder's insurance policies, medical history or driver's licence. It can be used to manage a retailer's loyalty programme and, even, be used as a key for house or car.

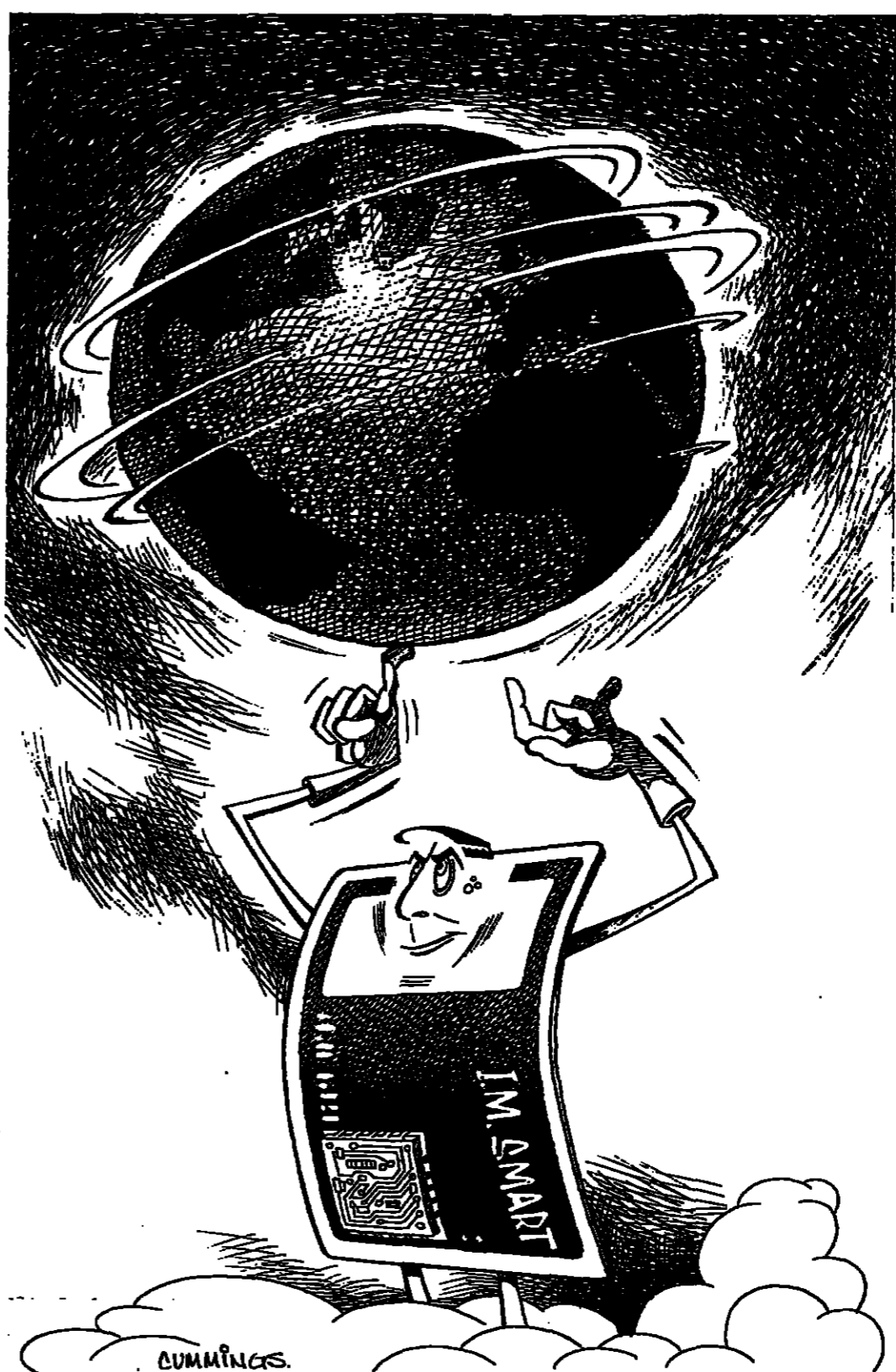
Above all, as a plethora of experiments demonstrates, it can be used as an "electronic purse" storing value instead of petty cash. Pilot programmes from the US to Australia are testing the capabilities of these cards.

In the UK, the most advanced trial is being conducted by Mondex, originally backed by National Westminster Bank and Midland Bank, and now owned by 17 banks. During the past year Mondex has invited customers to use the cards in Swindon, where they can pay for small items like newspapers or chocolate bars without coins or notes.

The cards are loaded up with value debited from the customer's bank account at automated teller machines or on "smart" telephones. Retailers can then take funds off the card without having to authorise each transaction on-line.

While Mondex is in a race with other global payment organisations to develop and market its version of the electronic purse on a global basis, several regional projects are harnessing the smart card technology for a number of payment applications.

Transcard, operated in western Australia, combines an electronic cash card that clocks up loyalty bonus points for buying McDonald's hamburgers or entry to the local swimming pool. In France, customers can pay for taxi rides, although Europay, MasterCard and Visa, the largest global retail payment organisations, have developed international standards for chip cards, some systems -



notably Mondex - do not comply. "The issue of standards has complicated the market for 15 years," says Mr Gerald Hawkins, manager of card services at Lloyds TSB in the UK. "It is one of the reasons why Mondex, whilst clearly a very advanced development, has taken a bit of a knock." The idea of a standard is that it would guarantee interoperability between systems, because retailers will want multiple terminals to accept different cards.

Mondex argues that the market, rather than standards, will determine which cards will operate in point-of-sale terminals. It says that a number of these terminal suppliers have already demonstrated that interoperable equipment can be made to accept Mondex and all other magnetic stripe and chip cards.

In fact, the EMV standards themselves have been criticised

because they stick to "contact" technology, in which the chip must come into physical contact with a reader inside a slot. For high volume applications in places like metro railways or buses, contactless technology, in which a card contains a small radio transmitter or a stripe that can be read with a quick swipe, are considered more appropriate. "A contact smart card in a mass transit environment is just too slow," says Mr John Hall, general manager for retail banking services for the Credit Union Services Corporation of Australia. The biggest problem of all, however, is ensuring the smart card makes financial sense.

"The reason for all these projects is that no-one has proved the business case. I'll be really interested to see if anyone makes money out of this," says Mr Eugene Lockhart, president and chief executive of

MasterCard International. The business case for the smart card has receded because telecommunications charges which once made on-line verification expensive are now coming down, and with them fraud rates. "Ten years ago you could justify the purse on the basis that it would cut costs," says Mr Peter Hirsch, managing director of Retail Banking Research, the consultancy. "But now telecommunications costs are coming down and the business case is getting weaker. The chip is too expensive to give short-term returns."

But at about \$10 a piece, a smart electronic purse - though more expensive than a magnetic stripe card - is not completely devoid of financial advantages.

Cash, which the purse would partly displace, is expensive. The Association of Payment Clearing Services in London estimates that cash handling costs the UK financial services industry about £2bn a year.

For banks, the purse-charge means a chance to undo some of their past mistakes. In Australia, for example, the banks have pressed cards so far that they are being used for much lower value purchases than banks would like.

"We don't think much of paying 20 cents to process a 95 cent transaction at McDonald's," says Mr Hall of the Australian credit unions.

For merchants, the replacement of cash means the elimination of considerable hassle. "If you take cash, you have to take it home, count it, put it into a night safe and then pay it into the bank the next day," says Mr Richard Jackson, manager of Victoria News in Swindon, which accepts the Mondex card.

But many retailers are likely to resist paying for the "privilege" of accepting the purses. "Of course there will be tough negotiations between individual banks and retailers," says Mr Ron Clark, chief executive of Mondex UK. "We had this battle over Switch [the UK debit card brand] with retailers who said they wanted us to provide it for free. But over time they have paid for it because it is a business proposition."

Consumers, on the other hand, may prove much more difficult to convince that an electronic purse is worth paying for when they can get cash for free.

But Transcard charges \$39.95 (US\$7.82) a card, and says customers gladly pay it because the cost is covered within two weeks by the free bus rides they earn through a loyalty bonus scheme.

"We have categorically proved that the consumer will pay," said Mr David MacSmith, managing director of Card Technologies Australia.

But it still may be difficult to persuade consumers to abandon cash altogether. "We are going to have a migration period of at least 10 years," said Mr Lockhart of MasterCard. It will take even longer for more technologically advanced developments like the retina scan to move out of the film world into the marketplace.

Mr Richard Tyson-Davies, director-general of Apacs said: "The card is one of the most standardised items in the world. It is tremendously accepted and recognised so it would be a very bold person who threw that away."

OBSERVER

You may not credit it

Good news for economic historians. Credit Lyonnais, the state-owned French bank, is selling its 20 per cent stake to investors. Most of the bank's collective memory happily escaped the fire that recently destroyed much of its headquarters.

There is, however, less joy around for those hoping to gain enlightenment on such issues as last year's negotiations between the government and the bank over its costly restructuring package. The relevant material has not yet been submitted to the archives, and would in any case not be accessible for 30 years.

As for those who might hope to gather information on the credit-worthiness of some of the bank's more illustrious clients, they will have to be even more patient. With the requirement that nothing is divulged on individuals until 120 years after their birth, the only intimate financial details available on a living person would be those of Jeanne Calment, the world's oldest woman, and we don't think she's a Credit Lyonnais client.

Still, the archives have already turned up interesting material, such as the recently published

book based on the bank's involvement in loans to the cinema industry. Unfortunately it only goes up to just after the second world war, omitting the less-than-happy circumstances of its control of the loss-making MGM studio in the early 1930s. Finally sold in the last few weeks.

Having a ball

European soccer is attracting a wave of new money, mainly from broadcasters. Perhaps because of that, the "S" word for strikes - seems to be popping up with increasing frequency.

In England, the Football League is in dispute with the Professional Footballers' Association over the distribution of TV cash. The players' union insists it should receive a 10 per cent share of the £138m the league is getting from Rupert Murdoch's Sky TV over five years, in line with the traditional percentage payment it has received as its share of TV rights.

The league claims that the union would be breaking industrial law if it encouraged its players to strike, but the union is likely to win a mandate for a strike once the players respond to a ballot. The two sides are due to meet for more talks today.

Dutch soccer referees are also

getting pushy - they're threatening to strike next month. They want bigger match fees and better pension rights. Even more risible, when they get their photographs published they want the same whacking sort of payments the players get.

Little stinkers

In France, the under-10s are now the new target of the perfume industry. In 1995 total cosmetics sales in France were FF72.3bn (\$5.6bn) - FF7465m (\$58m) went on babies or children.

French cosmetics giant L'Oréal three years ago launched onto the children's market its line of P'tit Dip fruit-flavoured shampoos. And Givency has produced the baby perfume Pissabon, which means "the little one smells nice" in French baby-talk.

Just one problem. "We're talking about hygiene, and children prefer to be dirty, not perfumed, not even showered," says Alix Brijaot, an adviser to the upmarket Bonpoint children's stores.

read "No cash office." Cash flow problems mean that employees don't expect their April and May salaries to be paid until next February (plus seven per cent interest).

But Norilsk has evidently found a way of denting the deficit, according to Ray Goldie, metals specialist at Richardson Greenshield, the Canadian stockbroker. Goldie and some Canadian nickel industry executives on a visit to the company were shocked when Norilsk's tour organiser unexpectedly announced that the cost of tours of the mine and surface workings would be US\$860 a person, payable in cash. That's more than a miner earns in a month. And at least twice the average pay in Russia.

Holiday blues

Summer holidays - don't you love them? Not if you're a finance director. Some of them in Britain think they're nothing but a nuisance.

A survey by the UK's Chartered Institute of Management Accountants has found that 10 per cent of fun-loving finance chiefs questioned said they "hated" summer holidays because they disrupt normal work patterns and reduce profitability. Don't fret chaps; in the UK, at least, they're almost over.

Financial Times

100 years ago

Bell Telephone
After an irregular opening in our market to-day business became very inactive, but the tone was distinctly stronger at the close. The chief feature of the day's dealings was Western Union Telegraph, which rose early in the session, in consequence of a rumour that the Company had gained control of the Bell Telephone, but broke again almost immediately, on an official denial of the story.

Elsewhere there was little doing, the sales of the day amounting to only 55,000 shares, of which 10,000 were Telegraph and 11,000 Sugar.

50 years ago

Newspaper Unknowns
By Lex.
With so many unknowns in the newspaper investment equation - I noticed a reminder yesterday that one of the Press Lords once said that his paper was not run for the prime purpose of making profits - it is difficult to enthuse over capital appreciation prospects of Newspaper shares.

"They have indeed not quite lived down the speculative reputation engendered by pre-war attempts to obtain readers at any price. Yields are small and most shares seem to discount the foreseeable future."

LEGAL DEFINITIONS
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FINANCIAL TIMES

Friday August 23 1996

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China turns up heat for union with Taiwan

By Tony Walker in Beijing

China has called for a resumption of "political talks" with Taiwan in a move aimed at increasing diplomatic pressure on Taipei to accelerate progress towards reunification. Mr Tang Shubei, China's top negotiator with Taiwan, told Taiwanese visitors this week "it is time" to resume negotiations, saying Beijing wanted peaceful reunification and an end to hostility.

The initiative reflects frustration in Beijing at lack of movement on reunification since presidential elections in Taiwan in March. Before the elections, China sent missiles into waters off Taiwan and lambasted its president as someone destined for the "dustbin of history." In Beijing, a western official said China, disappointed that Taiwan had not resumed a dialogue, appeared to have

decided it was time "to put the ball back in Taiwan's court". China regards Taiwan as a renegade province and has not ruled out force to secure its return to mainland control. Taiwan's response to the latest diplomatic offensive, which includes proposals for direct shipping links, has been non-committal. "We have never ruled out talks on political issues with the mainland," said Mr Kao Kuong-lian of Taiwan's policymaking Mainland Affairs Council.

A Chinese foreign ministry official dampened expectations of an early resumption of talks, accusing Taiwan of "disrupting" prospects. Beijing suspended cross-strait negotiations in protest at the visit to the US in June of Taiwan's President Lee Teng-hui.

Beijing had scaled back its criticism of Mr Lee following his election and had been encouraged by his offer of a

"journey of peace" for talks with mainland officials, but expectations of action have been disappointed. Chinese officials have been saying privately they believe Mr Lee is not interested in a dialogue and his real agenda is to promote a policy of "one China, one Taiwan" or "two Chinas". Mr Tang, who is vice-chairman of the Association for Relations Across the Taiwan Straits (ARATS), said China was committed to reunification through peaceful means, but Taiwan appeared intent on "splitting the country and ruling under separate regimes".

China's renewed call for negotiations on such issues as direct shipping, air and postal links and, eventually, on reunification questions coincides with a resumption of what the Taiwanese describe as "pragmatic diplomacy" aimed at increasing their international living space.

Peruvian president accused of a virtual coup d'état

By Sally Bowen in Lima

Opposition leaders in Peru have attacked an attempt by Mr Alberto Fujimori, the country's president, to stand for an unprecedented third five-year term.

Consecutive presidential terms are traditionally taboo in most Latin American countries, but Mr Fujimori, now entering his seventh year in office, is paving the way to remain his country's head of state until the year 2005.

Yesterday a proposal was being hotly debated in congress, where Mr Fujimori's party has an overall majority, which would allow him to run for office again.

Peruvian opposition leaders have denounced the move as unconstitutional and an effective coup d'état. But members of the ruling Cambio 90/Nueva Mayoría alliance say the proposal simply "interprets" the existing constitution without changing it. Earlier this week a congressional commission approved the draft law.

Moreover, Mr Fujimori's popular approval ratings - which have plummeted by the virtual defeat of terrorism, the curbing of inflation and the normalisation of relations with the international financial community - have remained consistently above 60 per cent, sometimes hitting 80 per cent.

Many local businessmen and foreign investors associate Peruvian stability with Mr Fujimori and would be glad to see him stay.

He has governed Peru since July 1990 when, as a relatively obscure university rector, he snatched the presidency from the internationally known novelist Mr Mario Vargas Llosa. Less than two years later, alleging obstructionist tactics by Peru's "traditional" political parties, he closed down congress and the judiciary.

An elected constituent assembly - in which Peru's two main opposition parties refused to participate - then rewrote the constitution to permit a serving president to stand for a second consecutive term. Mr Fujimori was re-elected last year in a resounding first-round victory over former UN secretary-general Mr Javier Perez de Cuellar.

Mr Fujimori's supporters argue that because a new constitution was introduced in 1993, he was in fact elected for the first time in 1995 and could, therefore, stand again in the year 2000.

The congressional debate on the move, expected to continue well into the night, will deflect attention from an embarrassing series of corruption allegations against Mr Fujimori's chief intelligence adviser, Mr Vladimiro Montesinos.

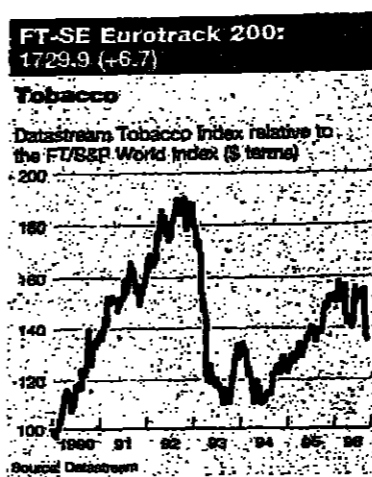
THE LEX COLUMN

Wealth warning

Cigarette companies are proving bad for your wealth. The tobacco giants' profits are surging, aided by growing sales in emerging markets; but against a backdrop of legal and political threats in the US, investors are steering clear. Since the industry lost its second case ever two weeks ago, the Western world's three biggest tobacco companies have lost close to 20 per cent of their stock market value. Yesterday's scare only confirmed tobacco's status as a pariah sector.

The latest sell-off looks like an over-reaction. President Bill Clinton's proposals to hand regulation of cigarettes over to the Food and Drug Administration were made a year ago. It is bad publicity and not a blow if it actually happened. But there is a strong legal case to suggest it will be thrown out in court. Concerns over the impending judgment in the case of Mr Richard Rogers, who died of lung cancer, are more understandable. A guilty verdict would be the worst blow to date. Nonetheless, the case is being held in a favourable jurisdiction for the cigarette companies; so the odds must be on another escape.

A favourable judgment in the Rogers case would push shares higher, but litigation concerns will not disappear. Investors should step up the pressure on BAT, RJR and Philip Morris to demerge non-tobacco businesses. Both BAT and RJR would add substantial immediate value by releasing their financial services and food businesses from legal risk. Given the performance of their shares, it is the least management could do.



The decision to keep activities Rentokil has no experience of, such as resort management and crane hire, raises the risk that something will go wrong. Second, these businesses are more capital intensive and more cyclical than traditional Rentokil gold mines like pest control. Retaining them will drag down the share rating of the entire group.

Rentokil has set its face against disposals because they would dilute earnings per share and could imperil its 20 per cent annual earnings growth. That seems a short-term view which would improve the quality of the portfolio. After outperforming the stock market by a fifth since the bid was announced, the shares stand on a 60 per cent premium to the market average. They look expensive.

Bundesbank cuts repo rate to 3%

Continued from Page 1

rate decision. But low inflation, with no dangers to price stability on the horizon, had also influenced the move.

He added the repo cut was also consistent with international conditions, though he made no reference to the problems of the French franc. Some economists said there was a strong European dimension to the Bundesbank's rate cut. The move would also help German exporters by braking the D-Mark's rise, they said.

"We are getting more aware in the run-up to European monetary union that policy moves have international implications," said Mr Klaus Friedrich, chief economist at Dresdner Bank in Frankfurt.

Mr John Butler, a bond analyst at WestLB Research in Düsseldorf, said the Bundesbank had taken strong account of European needs. "European factors were crying out more for a rate cut than German ones."

But Mr Martin Hüfner, chief economist at Bayerische Vereinsbank in Munich, disagreed. "The Bundesbank is not the European central bank. It acts purely from its own considerations."

German business is switched on over Emu change

By Peter Norman in Bonn

The seriousness with which German businesses are taking European economic and monetary union - still years away - was underlined yesterday at a specially arranged meeting.

Although the D-Mark is not due to be replaced by the euro until 2002, businessmen discussed the switch to the euro.

These included issues like how to write price labels on goods in the transitional period while national banknotes and coins are being replaced.

Around 100 representatives from German trade federations turned up at the hearing, arranged by the government to help it form an approach to negotiations with the European Commission on the switch to the euro.

Mr Klaus Friedrich, chief economist of Dresdner Bank in Frankfurt, said the bank was on the verge of deciding to invest DM150m (\$101.3m) in hardware and software to cope with Emu.

Once such decisions were made it was difficult to imagine Emu being abandoned or postponed, he said.

According to an economics ministry official, the main message from the meeting was that there should be no mandatory "double pricing" in D-Marks and euros during the transitional six months from the beginning of 2002.

A survey carried out for the meeting by the German chambers of industry and commerce (DIHT) showed that more than three quarters of the 200 companies questioned wanted to price their goods and services in euros before the official replacement of national currencies at the beginning of 2002.

Just under half favoured voluntary pricing in D-Marks alongside official prices in euros in the first half of 2002, while just under a quarter were in favour of showing prices in euros only.

However, retail trade representatives feared problems in providing bar codes with double pricing, and claimed that only a quarter of German cash registers could be adapted to show prices in both euros and D-Marks.

Tobacco groups face growing pressure

Continued from Page 1

of the Food and Drug Administration. The FDA's remit requires it to ensure the drugs and products under its authority do not do on the market unless they are safe.

Since cigarettes are not safe,

the FDA would theoretically be obliged to ban them.

Tobacco manufacturers have already launched legal action to block the move, with some hope of success.

Until now, the FDA has only had jurisdiction over products which make claims of health-

benefits. The new federal regulations on tobacco products have long been expected.

A year ago, Mr Clinton proposed measures including severe curbs on tobacco advertising, and a ban on vending machine sales.

FT WEATHER GUIDE

Europe today
 A frontal zone with rain and showers will enter Europe from the west. The British Isles will have most of the rain but it will also be wet in western France and north-western Spain. Eastern Spain will be dry and sunny. Germany will be mainly dry but there will be thunder showers in the extreme east. There will also be thunder showers in western Poland, the Czech Republic and Slovakia. A front will move into Scandinavia, causing rain in south-western Norway. Italy and the Balkan States will be mainly dry with sunny periods. Thunder showers will develop in Greece, but most of Turkey will be sunny and dry.

Five-day forecast
 The Benelux, France and Germany will have showers and Scandinavia will have abundant rain. Most of Spain will be sunny and dry, although thunder showers are likely in the east. Italy will have sunny periods. Greece and Turkey will be mainly sunny and warm.

TODAY'S TEMPERATURES
 Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Maximum Beijing	cloudy 28	Caracas	fair 32	Fero	sun 27	Madrid	sun 31	Rangoon	rain 30
Abu Dhabi	sun 42	Cebu	rain 28	Frankfurt	sun 25	Manila	sun 30	Reykjavik	sun 14
Acra	cloudy 26	Geneva	sun 24	Gibraltar	sun 26	Moscow	sun 20	Rio	sun 24
Algiers	sun 29	Hong Kong	rain 24	London	sun 24	Mumbai	sun 28	Rome	fair 30
Aristoterdam	rain 21	Osaka	sun 24	Paris	sun 24	Seoul	sun 27	S. Francisco	sun 24
Athens	thund 30	Singapore	rain 24	Stockholm	sun 24	Sydney	sun 27	Singapore	show 31
Atlanta	fair 44	Taipei	rain 22	Tokyo	sun 24	Toronto	sun 27	Stockholm	fair 26
B. Aires	fair 25	Ulaanbaatar	sun 42	Vancouver	sun 27	Wellington	sun 22	Vienna	fair 26
Bham	show 21	Yokohama	sun 25	Washington	sun 27	Winnipeg	sun 22	Zurich	fair 22
Bangkok	show 34		sun 34		sun 25		sun 25		
Bombay	sun 27		sun 27		sun 18		sun 18		
Buenos Aires									

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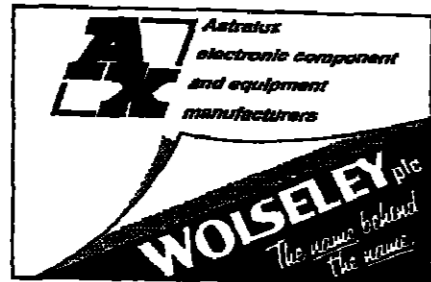
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FINANCIAL TIMES COMPANIES & MARKETS

Friday August 23 1996

HENRY BUTCHER
International Property & Plant Consultants
0171 405 8411

IN BRIEF

Norske Skog beats downturn

Norske Skog, Norway's largest pulp and paper group, bucked the trend of falling profits among Scandinavia's big forestry companies by reporting a 22 per cent jump in first-half pre-tax profits to Nkr1.04bn (\$162m). But it cautioned on second-half earnings. Page 13

Chip demand helps Canon double
Canon, the Japanese camera and office equipment maker, reported more than doubled profits of ¥63.7bn (\$682.2m) for the first half of the year, supported by firm demand for semiconductor chips and computer-related products, and the weaker yen. Page 12

News Corp shares slip as profits fall
Shares in News Corporation, the international media and entertainment group run by Mr Rupert Murdoch, fell 7 cents to A\$6.40 after higher paper prices and abnormal charges caused the company to report a 25.3 per cent fall in after-tax profits to A\$1.02bn (\$790m) for the year to June 30. Page 12

Shareholders consider SmarTone sale
Shareholders in SmarTone Mobile Communications, the smallest of Hong Kong's four mobile phone operators, are considering a flotation of the company, according to Sun Hung Kai Properties, which holds a 40 per cent stake. Page 12

Currency effect bolsters BASF
BASF, the German chemicals group, reported a 3.5 per cent increase in underlying profits in the first half as a result of currency gains and acquisitions. Pre-tax profits excluding exceptional items were up DM100m to DM2.93bn (\$1.97bn), thanks to favourable currency movements. Page 13

Skanska rises strongly to SKr2.4bn
Skanska, Sweden's biggest construction group, shrugged off continued weakness in the European and domestic building market to post a 57.6 per cent increase in first-half pre-tax profits to SKr2.4bn (\$361.4m). Page 13

Beer set for Carlsberg-Tetley deal
Beer was last night close to agreeing to pay \$200m (\$312m) for Allied Domecq's share of Carlsberg-Tetley, the brewing joint venture owned by Allied and Carlsberg, the Danish drinks group. Page 14

ITT Sheraton rules out Exclusive buy
ITT Sheraton, the international hotel chain, has ruled itself out of the auction of 17 Exclusive Fortis hotels by Granada Group, the UK television and leisure concern. The chain was valued at \$300m (\$1.45bn) by Christie, the UK property surveyors, at the end of last year. Page 14

Can recycling climbs outside US
The rate of recycling of aluminium beverage cans continued to climb last year - reaching 35 per cent in Europe and 65.7 per cent in Japan, which for the first time recorded a higher rate of recycling than the US. There the total dipped slightly to 62.3 per cent. Page 20

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FRANKFURT (DM)		
Bayer	857	+ 9
Hiltmann	378	+ 5.6
M&M	196	+ 3
P&A	196	+ 3
Pharm	567	- 12
Pharmaz	95	- 5
Zentraler Fein	1475	- 24
NEW YORK (\$)		
Alcoa	47	+ 2.4
Dynegy	34	+ 3.6
Zenith	194	+ 4.9
Pharm	184	- 1.4
Pharmaz	274	- 1.4
United	254	- 1
LONDON (pence)		
B&S	412	+ 27
BSI	321	+ 14
W&A	234	+ 18
Pharm	422	- 24
Pharmaz	180	- 13
Pharmaz	125	- 41
TORONTO (C\$)		
Alcoa	42.5	+ 3.05
BSI	27.25	+ 1.5
W&A	22.4	+ 1.1
Pharm	7.8	- 1.05
Pharmaz	7.0	- 0.80
Pharmaz	18.0	- 0.9
PARIS (FF)		
B&S	720	+ 7
BSI	181.8	+ 7
W&A	1236	+ 3.0
Pharm	326.8	+ 6.9
Pharmaz	465	+ 24
HONG KONG (HK\$)		
Alcoa	504	+ 5.8
Dynegy	467	+ 21
Zenith	958	+ 23
Pharm	474	- 27
Pharmaz	603	- 28
SINGAPORE (S\$)		
B&S	1.47	+ 0.28
BSI	11.0	+ 0.45
W&A	8.3	+ 0.3
Pharm	3.15	- 0.37
Pharmaz	2.75	- 0.45
Pharmaz	0.98	- 0.12
SINGAPORE (S\$)		
B&S	32.78	+ 1.5
BSI	35.25	+ 3.0
W&A	42.75	+ 3.75
Pharm	53.5	- 5.0
Pharmaz	133.0	- 7.0
Pharmaz	88.5	- 18.0

New York and Toronto prices at 12.30pm.

HSBC in \$620m US bank deal

By George Graham, Banking Correspondent

HSBC, the UK-based international banking group, yesterday raised its presence in the fast-consolidating US banking market when Marine Midland, its New York subsidiary, agreed to pay \$620m to buy First Federal Savings and Loan.

Mr Jim Cleave, chief executive of both Marine Midland and HSBC America, said the acquisition of First Federal from the Toronto-based Canada Trust Financial Services group would turn Marine Midland into a bank with almost \$300m of assets - big enough to

expand further. "We are growing in the US rather than even considering getting out," he said.

A stream of mergers and failures has slashed the number of banks in the US by a third over the last 10 years, but more than 8,800 separate institutions still survive. As legal barriers to mergers between banks in different states are removed, consolidation is likely to accelerate.

Many foreign banks, including First Federal's parent, CT Financial and the UK's National Westminster, have concluded that the price of staying competitive in the US is too high.

Mr Edmund Clark, president of Canada Trust, said he had weighed Marine Midland's offer against the additional investment that would have been needed to achieve market dominance. "We determined we were a seller, not a buyer, at today's prices," he said.

However, Mr Cleave said that once it had digested First Federal, Marine Midland would look for more acquisitions in New York and neighbouring states. "We as a group will continue to look for opportunities to grow," he said.

The merger is expected to produce cost savings equivalent to more than 40 per cent of First Federal's cost base by

eliminating duplication in areas such as computer systems and closing some overlapping branches.

That should help to close the gap in profitability between the two institutions. First Federal, with profits of close to \$50m last year, has been producing a return on equity of 12-14 per cent, similar to other S&Ls but lower than Marine Midland's return of about 20 per cent.

First Federal's Rochester base is 100km down the road from Marine Midland's headquarters in Buffalo. Its 79 branches will expand Marine Midland's network not only in upstate New York but also in

the area of New York City. It has been growing fast in the US mortgage market, and now has \$7.2bn of assets.

First Federal is owned by CT Financial Services, parent of Canada Trust, the largest Canadian trust company. CT is in turn 98 per cent owned by Imasco of Canada, in which BAT Industries of the UK owns a 41.5 per cent stake.

CT will receive a total of C\$835m (\$682.40m) including a pre-closure dividend of C\$82m, producing a pre-tax gain of about C\$82m. For BAT, the First Federal sale will result in a pre-tax profit of about \$50m (\$77.5m).

Lex, Page 10

Privatised carrier cuts costs by A\$486m as trading conditions remain tough

Qantas increase beats flotation forecast

By Nikki Tait in Sydney

Qantas, the Australian airline which was privatised just over a year ago and in which British Airways holds a 25 per cent stake, yesterday comfortably beat its prospectus forecast when it announced an after-tax profit of A\$246.7m (US\$196m) for the year to end-June, compared with A\$180.3m in the previous year.

The forecast, made when the government floated the airline in August 1995, was for A\$237m. Earnings per share were 24.2 cents, compared with last time's 18 cents.



Flying high: Gary Pemberton, Qantas chairman, yesterday outlining the airline's full-year results in Sydney

However, the result came on revenues of A\$7.6bn, well down on the A\$7.96bn forecast at the time of the float. Official figures for market share have shown Qantas falling short of the prospectus estimates.

In the 11 months to May, Qantas had 53 per cent of the domestic market, compared with the 53.8 per cent forecast for the year to June in the prospectus. More significantly, Qantas' international market share in the 12 months to April was 39.1 per cent, compared with the 41.1 per cent forecast.

Yesterday, Mr Gary Pemberton, chairman, acknowledged that trading conditions had been tougher than expected. As a result - with the airline

adding three aircraft and capital expenditure increasing 11.6 per cent to A\$605.5m - it had been forced to seek further expenditure cuts.

"To offset the expenditure associated with this expansion, it was necessary to take an extra A\$175m in costs out of the business, bringing the total cost savings for the year to A\$468m," he said.

Mr Pemberton added that the savings had come from a range of areas including improved aircraft utilisation. Qantas also managed to drive down its interest expenses to A\$103m, compared with A\$151m in the previous year

and the A\$133m forecast in the prospectus.

The Qantas chairman showed his relief at the ending of the prospectus markers. "Thank God the prospectus is dead and buried - we delivered the profit," he remarked.

But he warned that Qantas expected similar pressures in the current year.

"Lower revenue growth and a stronger dollar are again forecast. To compensate for this revenue prediction and to deliver profit growth in line with market expectations, cost reduction targets for new initiatives in the company this year have been increased from

A\$230m to A\$300m," he said. "These would be in addition to any savings resulting from the company's current labour negotiations."

"While the early indications are that this is achievable, any unforeseen cost increases, other events or further softening in market conditions may impact on the eventual outcome," Mr Pemberton added.

Qantas said a further decline in international market share was likely - perhaps by a couple of percentage points - although domestic share should remain fairly stable. "In parts of Asia, growth is strong but at prices which do

not provide a sufficient profit margin," the group said.

"Profit will continue to be more important than market share."

Mr Pemberton acknowledged this was at odds with the strategies of some Asian-based airlines, which are aggressively building capacity, but said Qantas' approach was deliberately risk-averse.

"What we are signalling is that we are not going to chase that growth," he said.

Yield (in terms of passenger revenue per kilometre) was 10.80 cents, little changed from the 10.86 cents recorded a year earlier.

Cheung Kong lifted by Hutchison Whampoa

By John Riddling in Hong Kong

Cheung Kong (Holdings), Mr Li Ka-shing's property and investment flagship, yesterday announced a 37 per cent increase in net profits to HK\$3.16bn (\$1.05bn) for the first half as a solid underlying performance was lifted by exceptional gains at its associate, Hutchison Whampoa.

The rise exceeded analysts' expectations, though Mr Li indicated that the rate of increase would not be sustained in the second half of the year. He said the net profit had risen because the great majority of the group's projects for the year were completed and sold within the first six months. "This type of earnings growth is not expected to repeat itself," he said.

Mr Li struck a similarly measured note about the property market. Noting increased activity and healthy gains in residential property prices in the first six months, he predicted a stable market for the rest of the year. However, he forecast that it would become more active in 1997.

The first-half result was achieved on turnover of HK\$9.78bn, compared with HK\$7.31bn in the first six months of 1995. Operating profits rose from HK\$1.23bn to HK\$1.44bn.

Proceeds from the listing of Orange, the UK mobile telephone concern, underpinned a sharp increase in results at Hutchison and a consequent rise, from HK\$5.72bn to HK\$7.95bn, in Cheung Kong's contributions from associates. Earnings per share climbed

from HK\$2.71 to HK\$3.59, while the dividend was raised from 30 cents to 33 cents.

Industry observers pointed to a strong contribution from property development for the strong first half. "It seems they have booked all of the revenues from projects such as Kingswood Villas," said one property analyst, referring to one of several developments completed during the first half.

Mr Michael Leary, property analyst at Lehman Brothers, said the results underscored the bright medium-term outlook for the group. "On a three-year view it looks very strong," he said, citing strong prospects for property development, rental contributions and the size of Cheung Kong's land bank, estimated at 19m sq ft. Hutchison Whampoa result details, Page 12

Rentokil advances 36%

By Tim Burt in London

Rentokil, the world's largest business services group, yesterday celebrated its successful takeover of BET earlier this summer by announcing a 36.6 per cent increase in first-half profits.

In London, shares in the company, which paid £2.1bn (\$3.2bn) for its UK rival, rose 10p to 419p after it said pre-tax profits had increased from £99.2m to £134.5m, including a two-month contribution of £22m from BET.

Sir Clive Thompson, chief executive, said the integration of the two companies was proceeding satisfactorily and predicted cost savings of £20m this year. He confirmed Rentokil would be changing its name to Rentokil Initial, using the former BET brand in areas including catering, healthcare and distribution. However, Sir Clive confounded industry expectations of a wide-ranging disposal programme by saying Rentokil had no plans to sell large parts of BET.

During the bid battle, Rentokil hinted that it might sell BET's plant services arm. The company is understood to have pulled back from that proposal, but Sir Clive did not rule out the sale of smaller non-core subsidiaries. Integration costs since the takeover were put at £2.5m, mainly to settle contract obligations to departing BET executives.

The company said it would

continue to fight a £3.3m severance claim from Mr John Clark, BET's former chief executive. Mr Clark, dismissed after refusing a reduced compensation offer from Rentokil, has filed a lawsuit against the company which is due to reach the High Court in October.

After stripping out gains from BET businesses, Rentokil's operating profits rose from £96.5m to £115.3m.

Analysts broadly welcomed the figures, but some questioned the reduction in underlying cash flow and increased working capital requirements. Earnings per share rose from 6.51p to 7.87p and the interim dividend has been increased from 1.23p to 1.48p.

Lex, Page 10

ING reviews bonus scheme

By David Brown in Amsterdam and John Gapper in London

ING Group, the Dutch bank which rescued the merchant bank Barings last year, disclosed yesterday that it was trying to create a long-term incentive plan to retain high-paid investment bankers without over-rewarding them.

The disclosure came as ING announced that pay and bonuses in banking operations had risen 23 per cent from FI 1.6bn to FI 2.1bn (\$1.2bn) in the first half, largely due to the rescue of Barings at a cost of £660m in March last year.

Pre-tax profits for the group rose 26.3 per cent from FI 1.7bn to FI 2.2bn, with the insurance division contributing a strong result. However, ING Group warned that it was unlikely to sustain such a strong rise in the second half.

Mr And Jacobs, chairman, said part of the rapid rise in expenses was due to bonuses in the City. "If you want to have first-class people, you have to pay high bonuses. We are trying to design these payments to create an incentive to keep people for the longer term," he said.

ING said the full integration of Barings into its new ING Barings unit made it impossible to detail the contribution of the investment bank to earnings.

Mr Jacob said the group was "very pleased" with its performance to date.

The Barings acquisition helped commission income grow 45 per cent to FI 1.28bn. Of this, commissions from securities broking advanced 83 per cent to FI 378m, of which 62 percentage points were generated by Barings.

The banking division's result from securities and foreign exchange trading on its own account more than doubled from FI 208m to FI 534m. The comparable figure was lower in 1995 in the aftermath of the Mexican peso crisis.

On the insurance side, first-half pre-tax profit advanced 16.8 per cent from FI 995m to FI 1.16bn, due largely to higher results in the Netherlands.

Full-year earnings per share, which were FI 2.12 in the first half against FI 1.74, are forecast to rise despite an increase in share capital stemming from stock dividends and the exercise of warrants.

This announcement appears as a matter of record only.

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June 1996

NEWS DIGEST

US group agrees Gruma stake buy

Archer Daniels Midland, the US agribusiness company, has agreed to acquire a 22 per cent stake in Gruma, the Mexican producer of maize flour and tortillas, for \$250m. Gruma, whose better-known subsidiary Maseca controls one-third of tortilla production in Mexico, said it would use the capital injection to repay debt and increase reserves, saving an annual \$30m in interest charges.

The tortilla, a flat maize pancake, is Mexico's staple food. Its production and consumption are heavily subsidised by the government. The agreement also gives Gruma the technology and financial backing to break into Mexico's \$1.5bn wheat flour market, which is dominated by Bimbo, a successful and conservative family-run business with 40,000 employees and annual sales of \$1.4bn in 1995. Archer Daniels has a small wheat flour operation in Mexico which will give Gruma an immediate entry into the bread business.

Archer Daniels Midland will also be adding its corn flour mills to Gruma's mills in the US, increasing the Mexican company's productive capacity there by about 40 per cent. The combined operation will have annual sales of about \$180m. Gruma's revenues totalled 5.2bn pesos (\$894.7m) in the first half of 1996.

Leslie Crawford, Mexico City

Tsingtao Brewery ahead

Tsingtao Brewery, the first China enterprise to obtain a listing on the Hong Kong Stock Exchange, yesterday reported an 8.2 per cent increase in net profits, to Yn55.78m (\$8.7m), for the six months to June 30, from Yn51.53m at the interim stage last year. The company, whose initial public offering in July 1993 was 111 times oversubscribed, has fallen foul of investors recently over reported investments in a long-delayed joint venture brewery in Shenzhen, the special economic zone over the border from Hong Kong.

On Monday the company said it was still in discussions with its partner, Pine Seal Development, but that no real progress had been made. This is in spite of being granted a business licence by the Chinese government in July 1994, with an approved total investment of \$33m. Tsingtao revived the plans earlier this year and proposes building a plant with annual production capacity of 100,000 tonnes.

The interim results show profits growing again - earnings fell in 1994 and 1995 - but analysts say continuing uncertainty and a strong performance earlier this year could keep the lid on the share price, which yesterday closed flat at HK\$2.90. Earnings per share for the interim period rose 8.7 per cent to 6.2 fen from 5.7 fen. However, the double-digit growth in turnover, up 18.36 per cent to Yn833.4m from Yn704.18m, suggests there may still be pressure on profit margins, which sent earnings falling last year.

Louise Lucas, Hong Kong

WMC to sell oil and gas units

WMC, the Australian mining group, announced yesterday it was putting all its oil and gas assets up for sale - with the exception of its majority stake in the new Goldfields gas pipeline. WMC, which shortened its name from Western Mining, said the move reflected the growing rival capital demands on the group.

"To grow significantly in petroleum, we would need to commit much more capital and participate in many opportunities worldwide," said Mr Hugh Morgan, managing director. "This would draw resources from other opportunities available to the company." WMC has been aggressively expanding some of its minerals operations, and recently announced a \$1.25bn (US\$996.9m) investment in its Olympic Dam copper-uranium project in South Australia. The assets up for sale span Australia, New Zealand and the US. In 1994-95, they accounted for operating profit before tax of A\$14.9m, on revenues of A\$154.9m.

Nikki Tait, Sydney

NML confirms takeover talks

Battle Mountain Gold, the US gold mining group, is in talks with Papua New Guinea-based Nimgin Mining (NML) over the possible acquisition of the outstanding 48.6 per cent of NML it does not already own. Nimgin Mining, which is listed on the Australian Stock Exchange, confirmed the talks - which have been a matter of speculation - in a statement to the exchange. It said it had retained Rothschild Australia to act as adviser. However, it stressed that talks were "still at a preliminary stage".

Nevertheless, NML shares immediately jumped 16 cents - or almost 5 per cent - to A\$3.37. The company's main asset is a 17.15 per cent holding in the large Lihir gold project in PNG, although it also has mines in Chile and Australia, and varied exploration interests.

Nikki Tait

Ashton Mining slips pre-tax

Ashton Mining, the diamond mining group which holds a 40.1 per cent interest in Western Australia's Argyle mine, yesterday announced a small dip in pre-tax profits in the six months to end-June, to A\$24.7m from A\$25m. However, after-tax profits rose to A\$14.7m from A\$9.6m.

Nikki Tait

Inco stake backs Teck issue

Teck Corporation, the Canadian mining group, plans to use a newly-acquired stake in nickel producer Inco to back a \$250m debenture issue. Teck's holding in Inco stems from the 10.4 per cent stake it held in Diamond Fields Resources, a small Vancouver exploration company whose main asset is the vast Voisey's Bay nickel, cobalt and copper deposit in eastern Labrador. Inco this week concluded a C\$4.3bn (US\$3.1bn) takeover of Diamond Fields.

Teck's share price has almost tripled since it bought the Diamond Fields stake in April 1995. An underwriting group, led by Toronto-Dominion Securities, has agreed to sell the 25-year debentures, which will pay 3 per cent interest. Each C\$1,000 debenture will be exchangeable into 20.75 Inco shares at any time after 90 days.

Bernard Simon, Toronto

Orange float helps lift Hutchison Whampoa

By John Ridding in Hong Kong

Hutchison Whampoa, the Hong Kong conglomerate controlled by Mr Li Ka-shing, yesterday announced a 76 per cent increase in net profits for the first half of the year, as exceptional gains lifted the result to HK\$2.84bn (US\$1.01bn).

The exceptional profits came from the flotation of Orange, the UK mobile telecom operator, which added HK\$4.1bn to results and offset a fall in operating profits

from HK\$2.7bn to HK\$2.58bn. The contribution from associated companies also fell, from HK\$2.75bn to HK\$2.2bn.

Mr Li described the interim figures as satisfactory, noting they had been achieved in a highly competitive environment, particularly in the telecommunications and retail sectors. He struck an optimistic note on medium-term prospects and expressed confidence in Hong Kong's economic future beyond next year's handover to China.

"The group is in a strong, liquid, financial position and, with the flotation of Orange and the replenishment of its land bank, it is well positioned in all of its core businesses to build and further enhance its recurrent earnings," Mr Li said.

The results were largely in line with forecasts, although some analysts noted higher than expected losses at Orange. Mr Mark Simpson, head of research at ING Berings in Hong Kong, said he would trim his full-year net profit forecast to HK\$1.1bn, partly because of the company's cautious note on the telecoms sector.

Hutchison described the Hong Kong telecoms market as highly competitive and rapidly changing. It said it had responded to the tough environment by forming a new company in January to consolidate its activities and improve efficiency.

Retailing has also seen a harsh environment, as Hong Kong consumers emerge cautiously from a downturn in spending. However, the company's A. S. Watson division, comprising 550 retail outlets, lifted profits during the first six months.

The group's ports operations, which extend from Hong Kong's Kwai Chung terminals to Felixstowe in the UK, saw satisfactory growth in volumes and have continued to expand. Hutchison is developing a string of ports across the southern China coast, and this month secured the contract to develop Subic Bay in the Philippines.

Mr Li listed several property projects under way, including the redevelopment of the Hong Kong Hilton site into an office tower and car park, which is due for completion in 1999. Mr Li said Hutchison's property projects in China were at various stages of construction. He predicted an accelerated rate of growth in earnings from this source.

The first-half result was struck on turnover of HK\$18.02bn, compared with HK\$16.88bn. Earnings per share rose from HK\$1.24 to HK\$2.17, while the interim dividend was raised from 33 cents to 42 cents.

Growth in sales drives profit surge at Canon

By Michio Nakamoto in Tokyo

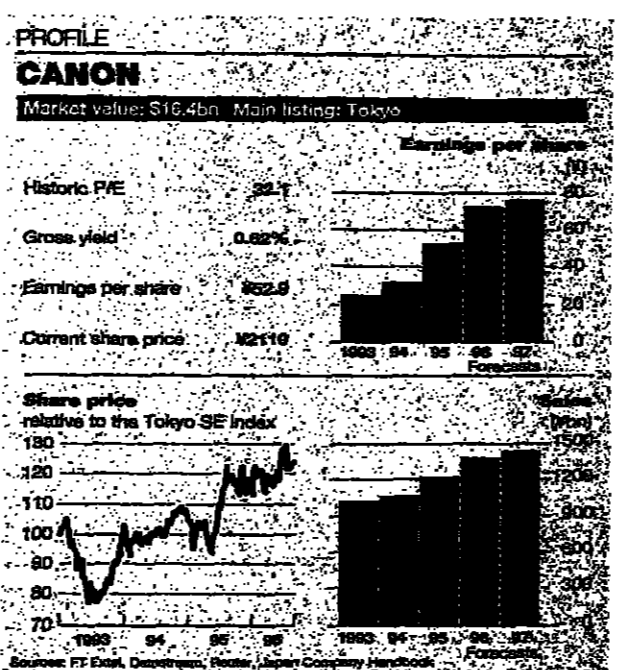
Canon, the camera and office equipment maker, yesterday reported a more than two-fold surge in profits for the first half of the year, supported by firm demand for semiconductor chips and computer-related products, and the weaker yen.

Recurring profit - before extraordinary items and tax for the parent company rose to Y\$3.7bn (\$59.3m) from Y\$2.8bn last time, as sales of steppers - a complex piece of machinery used in the manufacture of semiconductors - printers for computers and new cameras grew in Japan and overseas.

Sales in the first half climbed 18 per cent to Y\$68.8bn from Y\$58.4bn, while net profits soared 79 per cent to Y\$3.6bn from Y\$1.9bn.

Canon has already revised upwards its forecast for the full year on the back of the strong performance and expectations that the favourable exchange rate will continue.

The Japanese company, which started out as a camera maker, has since successfully diversified into office equipment such as copiers and fax machines, as well as semiconductor production equipment and computer peripherals.



It holds the basic technologies for the laser beam and inkjet printers, both of which sold well during the period on the back of buoyant computer sales, particularly in Japan. As a result, sales in the computer peripherals sector rose 32 per cent to Y\$40.8bn.

The strongest growth, however, came in optical products, where sales of steppers were particularly strong. Canon had been expecting a 50 per cent rise in the division because of expected expansion by semiconductor makers. However, a sharp fall in memory chip prices this year has forced semiconductor companies to delay their plans, putting a slight damper on Canon's stepper sales. Nevertheless, sales here rose 33 per cent to Y\$5.2bn.

Although camera sales now make up only about 10 per cent of Canon's overall sales, the division was lifted by strong demand for Canon's new advanced photo system cameras. In the full year, sales of steppers are expected to fall as a result of soft memory prices.

However, demand for printers is expected to remain firm amid continuing strong sales of PCs in Japan. At the same time, the company expects a favourable exchange rate of ¥110 to the dollar to support an 11 per cent rise in sales to Y\$1.87bn from Y\$1.29bn, and a 46 per cent increase in recurring profits to Y\$1.17bn from Y\$0.2bn last year.

Java fund draws 10 groups

By Tom Foremski in San Francisco

Ten computer and communications companies have joined with Silicon Valley-based venture capitalists to create a \$100m fund to invest in companies developing Internet-related products using the Java computer language from Sun Microsystems.

The venture capital firm, Kleiner Perkins Caufield & Byers (KPCB) is the largest investor in the Java fund, followed by Sun Microsystems, Cisco Systems, Comcast, Compaq Computer,

IBM, Itochu, Netscape Communications, Oracle, TCI Technology Ventures and US West Media Group have invested at least \$4m each.

The Java language with venture capital funds investing in any promising Internet company, the Java fund will have to compete for companies with the best Java-related product ideas.

"There is a lot of money out there but we have not seen anything like this Java phenomenon and we'd like to make sure it is well funded," said Mr Eric Schmidt, chief technology officer of Sun.

yet, there are few commercial Java applications, and no "killer applications" that will attract millions of users.

With California's Silicon Valley funds investing in any promising Internet company, the Java fund will have to compete for companies with the best Java-related product ideas.

"There is a lot of money out there but we have not seen anything like this Java phenomenon and we'd like to make sure it is well funded," said Mr Eric Schmidt, chief technology officer of Sun.

ITC chief defends himself

By Kunal Bose in Calcutta

The chairman of ITC, India's largest tobacco group, in which BAT of the UK is the largest single shareholder, attempted yesterday to calm shareholders' fears over the company's future.

The 5,000 ITC shareholders who attended yesterday's annual general meeting are concerned that the chairman, Mr Yogesh Chander Deveshwar, does not appear to have the confidence of BAT, which has a nearly 32 per cent stake in ITC.

Local press reports have

suggested that BAT might renew its efforts to appoint a non-executive chairman in a restructuring of ITC that could leave Mr Deveshwar without a seat on a new board.

The suggestions have been prompted by the fact that BAT has struck up friendly relations with the Indian financial institutions which together own nearly 34 per cent of ITC.

Mr Deveshwar told yesterday's meeting: "I have differences with BAT. These need not be publicised. Instead we should sit down and talk to

resolve our differences." Mr Deveshwar said that in the first four months (April to July) of the current year ITC's tobacco business grew by 22 per cent and the trading results for the period were the best in the company's history.

However, shareholders are also concerned about the slow progress made in restructuring ITC businesses such as paper, edible oil and financial services. Mr Deveshwar confirmed that the value of ITC's investments in its subsidiaries had fallen substantially.

News Corp shares slip on weaker earnings

By Nikki Tait in Sydney

Shares in News Corporation, the international media and entertainment group run by Mr Rupert Murdoch, fell 7 cents to A\$8.40 yesterday, after higher paper prices and abnormal charges led to a 25.3 per cent fall in after-tax profits, to A\$1.02bn (US\$800m), for the year to end-June. In the previous 12 months, the group made A\$1.96bn.

Before abnormal - mainly related to asset sales - group profit fell a more modest 6 per cent, to A\$1.26bn. Earnings per share, also before abnormal, were down 13 per cent, to 40 cents. Revenues were up 8 per cent at A\$13.1bn.

News held out the promise of strong recovery in the current 12 months. It said it was seeing a "moderating trend in paper prices" and a "solid forward order book of advertising" at its Fox broadcasting business in the US.

"A budgeted profit increase of at least 20 per cent for the full year currently appears very attainable," it said.

News said higher paper prices had cost it about US\$900m last year. In spite of this, the UK newspaper group, News International, posted a 10 per cent rise in operating profit, with higher cover prices at The Sun and The Times, and advertising volume gains, helping offset the paper price rises.

But in the Australian newspaper business, profits were flat as the higher input costs took their toll. This left operating income from the newspaper division overall at A\$501m compared with A\$487m.

The US television division lifted after-tax profits to A\$545m from A\$513m. News said Fox television and the Fox Broadcasting Company made strong gains. In magazine and inserts, operating profits fell from A\$356m to A\$324m, while the film business fell to A\$145m from A\$152m.

Book publishing contributed only A\$90m, compared with A\$122m previously. This was blamed on the sale of the educational publishing unit, and "dramatically lower earnings for the UK" after the ending of the net book agreement.

Associated companies contributed A\$351m, against A\$377m last time. News said Ansett, the Australian airline in which it holds 50 per cent, made a loss, although BSKYB, the UK-based satellite broadcaster in which it holds 40 per cent, saw improved profits.

Interest charges for the group were largely static at A\$605m compared with A\$590m, but News was helped by a 24.4 per cent drop in its tax charge, to A\$92m.

Shareholders consider sale of SmarTone

By Louise Lucas in Hong Kong

Shareholders in SmarTone Mobile Communications, the smallest of Hong Kong's four mobile phone operators, are considering a flotation of the company, according to Sun Hung Kai Properties, which holds a 40 per cent stake.

Discussions are at an early stage, and it is unclear whether the sell-off will consist of old shares, new shares, or a mixture of both. Analysts reckon the company will be valued at around US\$570m, and will look to raise around HK\$1bn (US\$129.3m) by selling some 25 per cent.

Analysts say market demand will be light if the sale simply becomes a matter of existing shareholders selling out. This would make the issue similar to that of AsiaSat, the satellite company which listed in Hong Kong in June after the three shareholders sold their shares.

SmarTone is owned by Sun Hung Kai Properties, the Hong Kong property developer; AT&T Wireless Communications of the US; ABC Communications, the Hong Kong-listed paging company; and China's Ministry of Post and Telecommunications. AT&T owns 30 per cent and the last

two have 15 per cent each. Brokers are sceptical of a successful issue. SmarTone lost out in the recent round of new licence awards, and faces competition from the six new players as they start operating next year. More importantly, its existing system is approaching capacity, and last spring the company was temporarily forced to close its doors to new subscribers.

Cash raised by SmarTone itself could be channelled into technology to increase capacity, or to develop China activities. Its capacity now stands at around 300,000 subscribers, and it has just over 200,000 customers.

Mr David Barden, telecoms analyst with J.P. Morgan in Hong Kong, said: "Valuations are going to be lower than they are almost operating at capacity, so they will be asking people to invest in a company where you have a risk that you have to rely on the technology."

"Globally, there are few places where they are trying to pack as many people on as Hong Kong, and the means by which SmarTone and [mobile market leader] Hongkong Telecom are trying to increase capacity is largely untried because no one has had to push the limits the way they have to."

Telkom agrees lower 'MTRs'

By Manuela Saragosa in Jakarta

Telkom, the Indonesian state-controlled telecommunications company, has agreed to lower by 4.4 per cent the guaranteed minimum annual revenues it receives from consortia installing and operating new lines in the country.

The minimum Telkom revenues - MTRs - were subject to a one-off readjustment, and most investors had been expecting the downward revision.

The MTRs are expected to account for an estimated 26 per cent of Telkom's revenues in 1996.

The consortia have agreed to pay Telkom an annual MTR of Rp1,885bn (\$695.3m), 4.4 per cent less than the Rp1,459bn flagged in Telkom's prospectus before its initial public offering in October.

Analysts say that figure is expected to appreciate annually by between 3 and 4 per cent.

For 1996, however, the figure is slightly lower - Rp1,381bn compared with Telkom's earlier estimate of Rp1,215bn - to reflect the late start-up date of the consortium licensed to

install and operate new lines in Kalimantan (Borneo).

Negotiations for the Kalimantan franchise were protracted by the dropping out of the lead company, Telekom Malaysia, and its replacement by Cable & Wireless of the UK.

Under agreements signed with Telkom last year, international telecommunications companies including Australia's Telstra, France Telecom and Japan's NTT agreed to install 2m new phone lines in five regions of Indonesia and operate them for the next 15 years.

Analysts say the downward adjustment of the MTRs was necessary because the original agreements were rushed through to ensure Telkom was ready for its IPO. Telkom went public in London, New York and Indonesia.

"Being the first time that... agreements of this type have been implemented in Indonesia, negotiations took longer than we expected as we continue to break new ground in implementing this innovative scheme," Mr Asman Nasution, Telkom president director, said.

DEELKRAAL GOLD MINING COMPANY LIMITED
 Incorporated in the Republic of South Africa
 (Registration No. 74/0016/00)

Further cautionary announcement

Further to the cautionary announcement made on 13 March 1996, the company is able to report that consideration is being given to a first proposal on the possibility of some form of agreement with Eldorado Gold Mining Company Limited, with the objective of exploiting any benefits which might be achieved through joint action.

Shareholders are advised to continue to exercise caution when dealing in any shares of the company.

Johannesburg **A MEMBER OF THE GOLD FIELDS GROUP** 22 August 1996

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER
 CHANGE OF UK BEARER RECEPTION OFFICE

Holders of share warrants to bearer of the companies listed below are advised that with effect from the dates indicated the United Kingdom bearer reception office to which, inter alia, coupons should be submitted for payment etc. will change to:

The Royal Bank of Scotland
 Registrars Dept., First Floor
 6-10 Great Tower Street
 London EC3R 8ER
 Tel: 0171 615 5750

Company	Effective Date
Anglo American Corporation of South Africa Limited	16 September 1996
Centenary Depository AG	27 August 1996
De Beers Consolidated Mines Limited	27 August 1996
Durban Roopepoort Deep Limited	1 October 1996
East Rand Proprietary Mines Limited	9 September 1996
Rand Mines Limited	2 September 1996
West Rand Consolidated Mines Limited	1 October 1996

19 Charterhouse Street
 London EC1N 6QP
 23 August 1996

NOTICE OF MERGER
 to holders of
6% Exchangeable Senior Subordinated Debentures Due 2005
 of
FMC CORPORATION

NOTICE IS HEREBY GIVEN, pursuant to the terms of the 6% Exchangeable Senior Subordinated Debentures Due 2005 of FMC Corporation (the "Debentures"), that, on July 31, 1996, each issued and outstanding share of common stock of FMC Gold Company was converted by merger (the "Merger") into the right to receive one common share (a "Meridian Share") of Meridian Gold Inc., a Canadian corporation, and US\$0.02 (collectively, the "Merger Consideration").

As a result of the Merger and upon the exchange of any Debentures pursuant and subject to the terms thereof, Debentureholders will be entitled to receive the Merger Consideration for each US\$15.125 aggregate principal amount of Debentures exchanged (equivalent to an exchange rate of 330.579 Meridian Shares and US\$6.61 per US\$5,000 principal amount of Debentures).

August 23, 1996 **FMC CORPORATION**

صكنا من الامل

COMPANIES AND FINANCE: EUROPE

NEWS DIGEST

Deutsche Bank takes long view

Mr Hilmar Kopper, chairman of Deutsche Bank, said yesterday it had no plans to increase its 5.21 per cent stake in rival Bayerische Vereinsbank...

Hungarian hotel chain sale

APV, Hungary's privatisation agency, said yesterday it had awarded the country's last important state-owned hotel chain to Danubius Hotels...

Codelouf cuts Montedison stake

Codelouf, a Gibraltar-based holding company, has sharply reduced its 4 per cent shareholding in Montedison, the Italian agribusiness, chemicals and energy group...

DFDS at half-year record

Increasing passenger numbers have helped Danish freight and ferry company DFDS to record its best year results...

Lego plans third theme park

Lego, known world-wide for its brightly-coloured plastic building blocks, has given approval for its third family leisure park in Carlsbad, southern California...

CORRECTION

Krupp Yesterday's report on Krupp's interim results stated that the US group Caterpillar was in the final stages of acquiring Oranstein & Koppel...

Norske Skog bucks trend but warns

Europe suggested the rise was partly attributable to inventory building, rather than real consumption growth. Group sales advanced from Nkr5.9bn to Nkr6.7bn...

Europe suggested the rise was partly attributable to inventory building, rather than real consumption growth. Group sales advanced from Nkr5.9bn to Nkr6.7bn...

Den Danske Bank flat but expects rise for year. Den Danske Bank reported pre-tax profits nearly 4 per cent lower at Dkr2.35bn...

Acquisitions and currencies benefit BASF

BASF, the German chemicals group, yesterday reported a 3.5 per cent increase in underlying profits in the first half as a result of currency gains and acquisitions...



Jürgen Strube: BASF performance "gratifyingly stable"

fibres businesses fell by 13 per cent. Mr Jürgen Strube, chairman, said this represented a "gratifyingly stable" performance...

Den Danske Bank reported pre-tax profits nearly 4 per cent lower at Dkr2.35bn for the first six months of the year. However, group earnings, including contributions from its Danica life insurance subsidiary...

Lower steel prices hit Avesta and SSAB

Group sales also fell by 25 per cent from SKr6.1bn to SKr4.6bn as demand held up but prices fell sharply. SSAB, which posted record profits in 1995, suffered a 35 per cent reverse in pre-tax earnings...

Group sales also fell by 25 per cent from SKr6.1bn to SKr4.6bn as demand held up but prices fell sharply. SSAB, which posted record profits in 1995, suffered a 35 per cent reverse in pre-tax earnings...

to close at SKr66. SSAB, privatised in 1992, said it was responding to what it called "the decline in the steel economy" by deepening its investment in its two main niche products...

Skanska downbeat Swedbank sharply ahead at halfway

Skanska, Sweden's biggest construction group, shrugged off continued weakness in the European and domestic building market to post a 57.6 per cent increase in first-half profits. Pre-tax profits increased from SKr1.5bn to SKr2.4bn...

Swedbank yesterday reported a 48 per cent increase in profits in the first half, the third of Sweden's four top banks to report a strong improvement in performance in the period despite tough competition within the sector. Swedbank, known as Sparbanken in its home market, said operating profits advanced from SKr1.7bn to SKr2.5bn...

NOTICE TO THE HOLDERS OF KTAS Kjøbenhavns Telefon Aktieselskab (Copenhagen Telephone Company, Incorporated) FRF 500,000,000 Retractable Bonds due 2001

Morgan Guaranty Trust Company of New York PTE \$,000,000,000 Floating rate notes due August 2006

APPOINTMENTS ADVERTISING appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

Strong krona sees Aga profits fall by 14%

The strength of the krona and weak economic activity in Europe and Latin America were blamed by Aga, the Swedish industrial gas group, for a 14 per cent drop in underlying profits. It said full-year headline earnings would be about 10 per cent lower than last year.

Adverse currency swings were responsible for half the 18 per cent fall in operating income from SKr1bn to SKr820m, Aga said. Other negative influences were soft demand in key markets and a substantial devaluation in Venezuela.

than 20 per cent of annual sales being spent on new plants in the next few years. He indicated the plan would be mostly financed from Aga's own funds. The company said sales of liquid air gases and medical gases developed well, while sales of cylinder gases to manufacturing industry suffered from the economic slowdown.

Notice to holders of The Lebanese Republic US \$400,000,000 8.25% Bonds due 2000

BANQUE PARIBAS Financial and Principal Paying Agent

London, 23 August, 1996

Whampoa shareholders consider sale SmartOne

سكيا من الاصل

COMPANIES AND FINANCE: UK

Bass set for Carlsberg-Tetley deal

By Christopher Price

Bass was night close to agreeing to pay £200m (\$312m) for Allied Domecq's share of Carlsberg-Tetley, the joint venture owned by Allied and Carlsberg, the Danish drinks group.

escape clause from the deal should the UK government make what the company sees as unsatisfactory demands on it - such as the disposal of pubs - as a result of the merger.

the UK beer market, with about 23 per cent 15 per cent respectively. A straight merger would make Bass the UK's biggest brewer, outstripping the 28 per cent market share held by Scottish & Newcastle following its purchase of Courage.

Carlsberg-Tetley made profits of £52m last year, all from lucrative supply agreements with Allied Domecq's pubs. The contracts were struck at a time when the beer industry was not so beset by overcapacity.

Bass is the UK's most profitable brewer and believes the synergies it can achieve through the purchase will help turn its rival round.

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H&C sells last palm oil interest

By Justin Marozzi

Harrisons & Crosfield yesterday announced its departure from the tropical plantation industry with the disposal of its remaining stake in New Britain Palm Oil.

In 1995, plantations represented 4 per cent of group turnover. The tropical plantation industry was the mainstay of Harrisons & Crosfield's prosperity for almost 90 years.

Weir points to DML for decline to £19m

By Tim Burt

Weir Group, the engineering manufacturer and services company, yesterday blamed a 4.8 per cent fall in first-half profits on disappointing contributions from its materials handling operations and Devonport Dockyard joint venture.

suggested that they were at about break-even. The decline, exacerbated by delays to payments on Ministry of Defence contracts, contributed to reduced pre-tax profits of £19.2m (\$30m) in the six months to June 28. Last time they were £20.2m.

incur on site services for gas-fired power stations. "We've withdrawn from that business and are now rebuilding profits," he said.



Ron Garrick: rebuilding profits at Strachan

ITT Sheraton out of Forte bids

By Scheherazade Daneshkhu

ITT Sheraton, the international hotel chain, has ruled itself out of the auction of 17 Exclusive Forte hotels by Granada Group, the TV and leisure concern.

The chain was valued at £300m (\$1.45bn) by Christie, the property surveyors, at the end of last year. Prospective purchasers were required to submit a blind bid to qualify for financial information and take part in the auction.

executive of Granada, which acquired Forte, the UK's largest hotels company, in January after a £3.9bn hostile bid, said yesterday: "There is big interest in individual hotels, in groups of hotels and in the whole portfolio."

attracted less interest. "Granada's dilemma will be whether to opt for higher prices for some hotels or to sell the whole lot but probably for not very much more than £500m."

The Financial Times plans to publish a Survey on Mexico on Monday, September 23. The survey will look at the country's economy, politics, financial markets, foreign policy and more.

Table with columns: Company Name, Turnover (£m), Pre-tax profit (£m), EPS (£), Current payment (£), Date of payment, Dividends Corresponding dividend, Total for year, Total last year.

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صبراً من الامل

RECRUITMENT

Richard Donkin on the search for fulfilment in the workplace

A good working example

There was a time when a job was assessed by a potential employee for its prospects. It was considered the medium through which we might fulfil our life's ambition. That may still be the case for some people but there is a new body of evidence that suggests otherwise: that the job is considered by many as primarily a means of obtaining income and not much more than that. Work is undertaken out of necessity.

This rather depressing picture of attitudes to work is one of the more disturbing conclusions of a report called Working Lives in the 1990s which examined the views of 1,000 UK people between October 1994 and February 1995.

The research was collated by Alan Hudson, Dennis Hayes and Toby Andrew of Global Futures, a research institute established to study the impact of demographic and economic change on people's attitudes to work. At first glance the findings do not appear to be too surprising, given the transformations that are being effected by the introduc-

tion of business approaches such as total quality management. Trade unions, it found, have become marginal to workplace life, even though most working people have become resigned to an insecure future. Less than half of those surveyed were members of a union and among the under 25s the proportion of union membership was down to a quarter.

Rather than look to their union representative as a solution to workplace problems, people were three times more likely to approach their managers. Employees have become more responsible in the workplace, accepting the need to cover for absent colleagues without complaint. The so-called "empowered" workplace appears to have become a reality. Two-thirds of those questioned said they were increasingly involved in decision-making while 85 per cent said they felt personally responsible all the time for the work they do.

What is perhaps most dispiriting about the study's findings, however, is the feeling of help-

lessness among many people in their work environment. In spite of their more co-operative behaviour they are finding it more difficult to see the road to personal fulfilment in their existing jobs. The authors say: "Quite often we encountered a sullen and inward-looking pragmatism, and perhaps cynicism, even about mere survival. At the same time there was also a sense of possibility and adventure that contradicted the spirit of low expectations."

In other words people are just as ambitious as they ever were, but cannot find a way of fulfilling their aims at work.

Perhaps, then, people are turning to other outlets, such as leisure and spare-time pursuits in which to invest their greatest endeavours and creativity. Certainly the study found an overwhelming preoccupation with training and education. This may explain the rise in the popularity of the working or learning holidays.

Last week I found myself with a group of people carrying out

environmental research in Madagascar. The project was partly looking at lemur conservation among the island communities in north-west Madagascar and partly examining the potential of tourism for the local economy.

The people in the group had invested their annual holiday savings in their two-week contribution to the project, run by Earthwatch, a charity dedicated to supporting various scientific studies worldwide. They studied the behaviours and patterns of different groups of black lemurs and they interviewed tourists about their spending habits and holidays.

Not only was the group's multicultural make-up a stimulating experience, each one of the party said they had learned things that they could apply in their future studies or jobs.

Many, it seemed clear, were finding inspiration from the study that they did not always find in their normal working lives. If the findings of the Global Futures Report reflect an accu-

Salaries bonuses and car allowances in City of London finance

Position	Base salary			Average salary		Car provision/allowance	
	Lower quartile	Median	Upper quartile	Salary	Bonus %	With car	Annual allowance
Corporate finance head	105,500	120,000	160,500	130,762	65.4	100	24,339
Capital markets head	132,500	147,500	181,250	153,333	51.5	100	22,000
Bond sales head	90,000	108,250	148,250	103,538	83.0	70	18,618
Fund management director	102,750	125,000	148,250	125,846	31.3	100	24,000
Futures & options head	82,510	100,000	165,000	115,644	81.2	100	18,918
Swabrod trading head	93,750	125,000	146,000	122,363	39.4	75	20,075
Equity trading head	88,500	106,000	135,000	119,333	62.4	87	18,300
Private banking head	72,500	100,000	110,000	97,209	27.1	67	16,669
Head of research	78,375	98,000	148,000	106,685	69.0	100	23,292
Financial director	70,000	82,000	92,000	85,463	42.2	87	24,219
Chief FX dealer	67,750	80,500	117,250	84,369	17.7	81	19,900
Legal services head	66,000	72,800	80,750	76,643	31.5	94	21,201
Parliamentary director	74,250	80,800	91,500	82,103	59.4	100	26,300
Money market head	57,500	70,000	80,000	71,530	37.1	89	18,835
DP director	57,000	66,000	75,000	67,910	33.0	100	20,198
Credit manager	38,500	44,500	49,500	44,769	9.7	69	19,069
Customer services head	27,500	29,000	33,500	31,370	8.2	43	15,667

rate picture of workplace attitudes today they present an important challenge for employers. How is it that a charity can attract people to invest their vacations and substantial fees in a working programme abroad, when most people go to their everyday jobs, chiefly to collect the salary cheque at the end of the month?

If employers could harness only a fraction of that enthusiasm and commitment they could reap much greater benefits from

their employees in innovation. To do so they must give people back their job prospects, restore their ambitions. But in how many workplaces today can we find such an agenda?

Monks Partnership, which has just published quarterly data on City salaries (see table), says it has noticed increasing bonus payments to traders and sales people in bonds and staff in foreign exchange trading, money market trading and corporate finance.

Monks Partnership, The Mill House, Wenden Amba, Saffron Walden, Essex CB11 1JX. Tel 01799 542222 Fax 01799 541805 E274

Working Lives in the 1990s: The Professional Findings of the Attitudes to Work Survey. Alan Hudson, Dennis Hayes and Toby Andrew. Global Futures, 1 Wellington Mansions, Shackwell Lane, London N16 7TP. £15.99 for institutions, 19.99 for individuals.

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THE JOB PROFILE

We now seek to recruit a quantitative analyst to join our expanding fixed interest team - based at our offices at the Broadgate Centre in the heart of the City.

The job involves quantitative research in fixed interest markets, assisting in the development of analytical tools and products, and implementation of risk control techniques. There are excellent career opportunities.

THE CANDIDATE

The candidate must have a good degree and/or MBA, preferably with some financial sector experience. He or she must have strong economic/analytical abilities and be computer literate.

Excellent communication skills are essential including complete fluency (verbal and written) in German. As well as impressive academic qualities, the successful candidate will need to fit into a team where hard work, enthusiasm and dedication are common traits.

CANDIDATES SHOULD SEND THEIR CVs TO:

Colin Cowie, Personnel Manager, Foreign & Colonial Management Limited, Exchange House, Primrose Street, London EC2A 2NY.

Foreign & Colonial

PENSION FUND MARKETING - HOLLAND

Major US group seeks a likely Dutch individual with c3 yrs experience of marketing to pension funds. Knowledge of Dutch market useful but can expect to inherit a large contact list. Location London. Flexible on remuneration.

Enquiries to **Edwin Lawrie at Old Broad Street Bureau,**
65 London Wall, London EC2M 5TU
Tel: 0171-588-3991 Fax: 0171 588 9012



ACCORD GROUP CIFUENTES & PARTNERS

INDUSTRIAL LEADERS FOR PRIVATISATION

ROMANIA

Sponsored by the European Union, the Phare programme facilitates reconstruction in Central and Eastern Europe. As part of this initiative, it seeks outstanding individuals whose task will be to facilitate the privatisation of the country's major industrial enterprises.

Working with local general management, responsibility is to the Romanian State Ownership Fund for providing management talent and commercial acumen.

The requirement is for a successful record in corporate recovery, turn-around and disposal preferably in an international manufacturing or process context and in an environment of change. Experience of mergers, trade sales, industrial financing and emerging markets is desirable.

Contracts, for between one and two years, will probably be on a full-time basis. Salaries and expatriate packages will be highly competitive.

For further details and an application form to be returned by 30th August 1996, please fax one of the following European offices of the Accord Group, who are advisers on this aspect of the Phare programme:

Berlin (49-30) 885 81880	Brussels (32-2) 242 80 73	Budapest (36-1) 266 8880	London (44-171) 631 5317
Madrid (34-1) 984 72 75	Paris (33-1) 44 43 98 98	Prague (42-2) 74 2348	Rome (39-6) 891 4213

JOSLIN ROWE

banking recruitment consultants

Senior Treasury Operations Manager c.£45,000

Our client is the City based branch of a major overseas Bank which is currently undergoing significant business growth. This includes actively expanding and developing its treasury business, and in particular its range of derivative products.

As part of its treasury support strategy they are implementing major automation improvements, including 'straight thru processing' systems, and to further strengthen its treasury support capabilities they now wish to recruit a senior treasury back office professional.

The Role

- Responsible for a team of 30+ support staff in all aspects of treasury back office.
- To direct and implement programmes for change as well as identifying opportunities for improvement in operational efficiency and quality assurance.
- To contribute to business development initiatives, provide advice, and maintain liaison with both treasury and other support departments.

The Individual

- Existing treasury operations professional with at least 10 years experience and a proven track record within a major Bank or Financial Institution.
- Good derivative product knowledge as well as a strong understanding of current banking and control systems.
- First class management and communication skills.
- A pro-active self starter at ease in a flexible and challenging environment.

The position reports to the Head of Treasury Operations and is an exciting opportunity for a motivated individual to make a significant contribution within a challenging and dynamic organisation.

Interested candidates should contact
Michelle Bloomfield or submit a Curriculum Vitae to the address below.

Joslin Rowe Associates Ltd Bell Court House 11 Blomfield Street London EC2M 7AY
Telephone 0171 638 5286 Facsimile 0171 382 9417
A Member of the Blomfield Group

CREDIT SUISSE FINANCIAL PRODUCTS

Risk Management and Quantitative Analysis

London and Far East

Credit Suisse Financial Products (CSFP) is a market leader in derivatives products enjoying outstanding success as one of the largest providers of risk management products in the world. Awarded the title "Derivatives House of the Year" in 1995, CSFP is committed to reinforcing its culture of excellence based on client service, innovation, creativity, a full product range and global coverage. The Risk Management and Quantitative Analysis department independently analyses and manages the market and credit risks arising out of the trading and marketing activities of the Bank. The department enjoys an exceptionally high profile within the Bank and within the industry and has strong commitment from senior management.

Senior Market Risk Analyst

A new position has been created in the Market Risk Analysis team due to expansion of the area. Working with other Risk Analysts, the successful candidate will be required to develop new risk analysis techniques and to improve the capabilities of the unit as well as enhance relationships inside and outside the bank. The main areas of responsibility will be:

- Close liaison with Marketmakers and Traders in the analysis of market risks on potential new trade types
- Detailed analysis of the risk profiles of exotic trading portfolios
- Management of the production of market risk reports for capital adequacy reporting
- Reporting of risk analysis results to senior management and external industry groups

Successful candidates are likely to fit the following profile: A graduate with a good degree in a numerate discipline, preferably with strong derivative product knowledge from a major investment bank, management consultancy or Big 6 accountancy firm; possess excellent communication skills and have the confidence to discuss complex business issues with senior Front Office personnel, have the ability to assimilate new concepts quickly and respond rapidly and efficiently to requests. This is an excellent opportunity for highly-motivated individuals to join a market leader with an outstanding reputation for the quality of its risk management services and make their mark in a meritocratic environment. The financial and career rewards will reflect the strong contribution expected from the role.

Interested applicants should contact Jason Garner at Robert Walters Associates on 0171 379 3333 (or fax on 0171 915 8714) or write to him, enclosing a curriculum vitae, at 25 Bedford Street, London WC2E 9HP. E-mail: Jason.garner@robertwalters.com

ROBERT WALTERS ASSOCIATES

L O N D O N W I N D S O R N E W Y O R K A M S T E R D A M B R U S S E L S S Y D N E Y W E L L I N G T O N

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ACCOUNTANCY APPOINTMENTS

Roche

Senior Internal Auditor

Our Profile
As an independent appraisal function within the Roche Group, Corporate Auditing performs audits at headquarters and in affiliates worldwide. In this way we assist management in establishing and maintaining a high standard of Internal Control over its business operations. We are a young and dynamic team that acts in a preventive, supporting and consulting capacity.

Your Task
Conduct integrated audits, i.e. stressing operational and IT aspects equally, as a team leader. Advise management regarding proper internal controls as well as effectiveness and efficiency of their operations. Coach and educate team members while furthering your own education, so as to contribute to the high standard of auditing maintained by the department. Based in Basel, the position involves extensive international travel.

Your Profile
You have excellent academic credentials combined with a formal qualification in accountancy (Wirtschaftsprüfer, CPA) and are proficient in German, English and a third language. A minimum of two years relevant business experience in internal or external auditing is required.

Contact Address
The advertised vacancy and recruitment opportunities will be discussed in detail during a personal interview. If the above profile fits your background and you are interested in this challenging position then please forward your application and curriculum vitae to the attention of Mrs. E. Sime, quoting reference Sme2104, P. Hoffmann, c/o Roche, CH-4070 Basel, Switzerland.

Les Echos

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone:

Toby Finden-Crofts
on +44 171 873 3456

Pan-European challenge with the world's No 1

The No 1 Sports company world wide - Nike just goes from strength to strength. Last year was a record breaking financial year for us with combined revenues totalling £6.47 billion for Nike Inc. and a figure of £1.29 billion for Nike Europe.

The challenge for FY '97 is even greater. It's a challenge that's achievable, but we need the right people in place to help us continue this momentum and assist in the implementation of new Pan-European developments. Which is why we are now seeking a high calibre, talented professional in the following role.

European Treasury Manager

Reporting to the Corporate Treasurer, you will provide direction for all treasury operations at our European Headquarters in Hilversum. Developing strong working relationships with our European banks, you will oversee daily cash management whilst implementing a Pan-European banking structure to facilitate our wholesale and retail business across 14+ countries and currencies. Of graduate calibre, your 7+ years' experience in finance will include a minimum of 4 years' spent in a multi-national company within a treasury role. Knowledge of US GAAP is desirable together with a sound working knowledge of FX, including cross rates. A broad understanding of European banking practices is of equal importance, as are strong PC and communication skills.

If you relish the challenge of working for the foremost name in the Sports industry, then JUST DO IT! Write or fax enclosing an up-to-date CV and comprehensive covering letter detailing major challenges to date to: Craig Robertson, Recruiter, Nike European Operations Netherlands B.V., Macarthon 7, 1213 PD Hilversum, The Netherlands. Confidential fax: 0031 35 6266306. Short listed candidates will be contacted via our retained consultants for this assignment, Robert Walters Associates.

Amsterdam
Excellent salary + benefits



CHIEF ACCOUNTANT

The Salvation Army

London **c£35,000 plus benefits**

The Salvation Army is engaging in a major project to improve its management information and update its financial systems and procedures. In conjunction with this the Army is also seeking to strengthen its Headquarters Finance team in London by recruiting a qualified accountant to the newly created position of Chief Accountant.

Responsible to the Managing Director through the Finance Director, the Chief Accountant will be a key person in the implementation of new systems and procedures and will have long term responsibility for the ongoing development of the Army's financial information systems. They will also have responsibility for Headquarters accounting staff.

The successful candidate will be a qualified accountant with solid experience of running a large accounts department, management information and accounting systems. Experience with a major national charity and knowledge of charity legislation and reporting requirements would be an advantage. Sympathy with the aims and objectives of the Salvation Army will also be required.

Please write with full career details, current salary and a covering letter explaining your reasons for applying and why you are right for this post to:

Kevin Miller
Clark Whitehill Consultants
25 New Street Square, London EC4A 3LN
Closing date for applications is 16 September 1996

ASSISTANT TO GROUP COMPANY SECRETARY

To: £30,35,000pa + Benefits N.W. of London

International Public Company

Our client, a highly successful, acquisitive PLC, seeks a Qualified Accountant or Chartered Secretary with significant experience of Company Secretarial work to join its small Head Office team and assist the Group Company Secretary.

You will be a highly numerate individual with WP/PC skills who is able to demonstrate flexibility and initiative. Treasury experience would be a distinct advantage. Able to work well with people at all levels in a professional environment, you will be seeking a career development role with a high level of responsibility.

Applicants for this challenging role should write to **Drax Dearman Associates, Charlotte House, 14 Windmill Street, London W1P 2DY. Fax No: 0171 209 0001, quoting reference FT0062.**

DRAX • DEARMAN • ASSOCIATES

FINANCE MANAGER

Significant London Legal Practice

My client
A long established and highly respected firm of solicitors with many international clients and several overseas offices.

The job
Reporting to the Director of Finance & IT, to manage the fully computerised accounts department and to produce all forms of financial information including budgets, management figures and annual accounts incorporating international consolidations. To assist the Director of Finance & IT in various financial projects.

The requirements
A professionally qualified accountant with absolute discretion and experience of the accounting and information needs of professional partnership. Experience of multi-currency accounting is essential. Knowledge of the Solicitors Account Rules and the Elite accounting package are desirable.

The rewards - salary c.£35,000 plus bonus.

If this opportunity may interest you, please write in confidence and with a full CV to Douglas G. Mizon, FCA, FIMC at Mizon Executive, PO Box 51, Hatfield, Herts AL9 7BJ.

MIZON EXECUTIVE

IT City Appointments

IT Senior Appointments

OPTIMA CONNECTIONS

banking

C, UNIX-EQUITY DERIVATIVES
City £25,000 - Bonus - BB+

Working as part of the Equity Derivatives research team, you will be involved in all aspects of quantitative research utilising the technical skills acquired from a systems development background. Candidates will be ideally educated to PhD level in a mathematically based discipline and possess in-depth C/UNIX experience. Specific product knowledge is particularly beneficial.

SYSTEMS DEVELOPERS
City £25,000 - Bonus - BB+

One of the City's most technically innovative investment banks, has outstanding opportunities for systems developers. You will be working with the business in a global development environment based on UNIX and NT, optimising your knowledge of C/C++ and UNIX/NT to systems admin level. A first class degree is prerequisite, and Comms experience would be useful.

C/C++, NT-DEBT DERIVATIVES
City £25,000 - Bonus - BB+

One of the top research groups within the City has an opening for a highly numerate developer to work on the development of Analytics and Risk Management Systems. Besides excellent skills in C or C++ on Windows (NT) you will need to demonstrate exceptional problem solving ability coupled with both creativity and enthusiasm.

FIXED INCOME-C++, OLE
City £25,000 - Bonus - BB+

The Fixed Income group of this leading proprietary trading house currently require a solid OO specialist with a thorough understanding of BONDS and IR DERIVATIVES trading. You will have a track record of developing similar trading systems using VC++ under NT, OLE/OCX or CORBA, and CLASS LIBRARIES.

C++, UNIX-EXOTIC OPTIONS
City £20,000 - Bonus - BB+

An exceptional C++ developer is sought to work on the development of a new Analytics system for a leading Exotic Options group. They are only interested in the best C++ developers who can also display a high level of business aptitude. A mathematical background and experience of derivative products would be most beneficial.

OO-PRICE MODELLING
City £25,000 - Bonus - BB+

The Risk Arbitrage group of this leading Securities House requires an exceptional candidate with a solid understanding of financial analytic models and their integration with all instruments. You will combine sound C++ and OO/AD expertise, with experience of BOND YIELD, OAS and YIELD CURVE models, SWAPS/OPTIONS PRICING and IR DERIVATIVES.

For more information on these and other opportunities currently available please contact:

Optima Connections Limited No.4 Essex Street, London EC1V 5DX
Tel: 0171 608 0990 (24hr answering service) Fax: 0171 608 1205
E-MAIL: optima.connections@btinternet.com

NO FINANCIAL OR TECHNICAL EXPERIENCE? NO COMMENT.

Risk Management : City of London : Packages to £60,000

AFA Systems plc supplies application software to the financial services sector. Their software product, **MUSKETEER**, provides a broad range of functions based on leading industry standard technologies. We are now looking for consultants to implement and support their products in major financial institutions. Both roles will be to assist in the sales process, to implement software in client environments and provide ongoing support.

BUSINESS CONSULTANTS base to £45k - OTE up to £60k
Experienced in Treasury and/or derivatives operations, applicants will have at least 2 years experience in a financial services group or consultancy specialising in this area. Although training will be given, an in-depth understanding of the application is essential.

TECHNICAL CONSULTANTS base to £35k - OTE up to £45k
Experienced in financial systems within a software house, information provider or financial institution, applicants will have a minimum of 2 years experience of Windows NT, Object Oriented design, C++ and SQL Server and/or Sybase.

For all positions a degree of project management skill is essential, plus ability to work unsupervised, and willingness to travel world-wide at short notice - the first 3 months are likely to involve time in South Africa.

APPOINTMENTS INTERNATIONAL
4 Glencairn, 70 Rutland, London SW19 4RA Tel: 0181 946 9862 Fax: 0181 946 5722

FT IT Recruitment appears each Wednesday in the UK edition, and each Friday in the international edition

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Emma Lloyd +44 171 873 3779
Clare Bellwood +44 171 873 3351

For Banking, Finance & General Appointments

or contact:

Robert Hunt +44 171 873 4153
Toby Finden-Crofts +44 171 873 3456
Andrew Skarzynski +44 171 873 4054

Net.Works The FT IT Recruitment section is also available all week on www.FT.com

INTERNATIONAL CAPITAL MARKETS

Europe buoyed by German rate cut Further flurry of issues aimed at retail buyers

By Samer Iskandar and Susanna Voyte
European and US bond markets moved in opposite directions yesterday...

GOVERNMENT BONDS

The cut was followed by similar moves in France, Belgium and the Netherlands...

French bonds ended higher, in line with Bunds. Maf's September PIBor future totally priced in the rate cut...

German bunds rose more modestly. On the September Bund future, the spread was even narrower...

UK gilts proved the most immune to the Bundesbank rate cut. The market was trading at 110 1/8 in the early afternoon...

Other countries follow suit

The Bundesbank's decision to cut its repurchase rate was followed by similar moves in several European countries...

The US market continued to drift. The release of weekly jobless claims data - up 6,000 to 327,000 - failed to lift the market...

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Landmark \$250m loan facility for AsiaSat

Yesterday, the lead arranger banks called the loan facility a landmark deal for AsiaSat's satellite industry...

The facility is for 7 1/2 years and will be used for general working capital. The lead arrangers are Fuji Bank, JP Morgan Securities Asia, HSBC Investment Bank Asia, and Paribas Asia.

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Further flurry of issues aimed at retail buyers

The eurobond market had a fairly active day, although most offerings were moderately sized and once again targeted at retail investors...

INTERNATIONAL BONDS

The New Zealand dollar sector saw two more issues. Although New Zealand yields have followed other markets lower, bonds still offer a yield pick-up over other markets...

There have been 24 eurobonds issued worth NZ\$2.25bn this year, compared with four deals worth NZ\$260m last year and two worth NZ\$100m in 1994...

Yesterday's transactions were a NZ\$100m issue for Tri-

ple A-rated Toyota Motor Credit Corp and a NZ\$100m deal for Canada's Farm Credit Corp, a government-backed mortgage lender.

New international bond issues table with columns for Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, and Book-runner.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS table with columns for Country, Coupon, Red Date, Price, Day's change, Yield, and Week Month ago.

US INTEREST RATES

Table showing Treasury Bills and Bond Yields for various maturities.

BOND FUTURES AND OPTIONS

Table for France: NOTIONAL FRENCH BOND FUTURES (MATIF) FF500,000.

Table for Germany: NOTIONAL GERMAN BOND FUTURES (LIEFF) DM250,000 100ths of 100%.

Table for UK: UK GILTS PRICES table with columns for Maturity, Bid, Offer, Price, and High/Low.

BUND FUTURES OPTIONS (LIEFF) DM250,000 points of 100%

Table for Italy: NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIEFF) Lit 200m 100ths of 100%.

Table for Spain: NOTIONAL SPANISH BOND FUTURES (MEFF).

Table for Euro: NOTIONAL EURO BOND FUTURES (MATIF) ECU100,000.

Table for US: US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%.

Table for Japan: NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIEFF) ¥100m 100ths of 100%.

FT-ACTUARIES FIXED INTEREST INDICES

Table showing Price Indices and Yields for various fixed interest instruments.

FT FIXED INTEREST INDICES

Table showing Government Securities (IG) and Corporate Bonds (CB) yields.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table listing US Dollar Strathgates and Euro Strathgates.

Table listing other international bond issues.

Table listing convertible bonds.

Table listing Deutsche Mark Strathgates.

Table listing other international bond issues.

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سوق المال

CURRENCIES AND MONEY

MARKETS REPORT

Bundesbank move sets off flurry of rate cuts

Richard Adams

The Bundesbank showed it had lost none of its ability to improve markets yesterday, with an aggressive interest rate cut that drove down the value of the D-Mark and sparked similar moves in other countries.

The German central bank cut its securities repurchase rate - or repo rate - by 30 basis points to 3.0 per cent, a far greater reduction than most analysts had predicted.

Mr Hans Tiersmeyer, Bundesbank president, later said the recent developments in the M3 broad money supply measure had been decisive in the bank's decision.

Central banks in France, Austria, Holland and Belgium quickly took the opportunity to cut their equivalent interest rates.

The German rate cut put pressure off the French franc, which strengthened to FF3.408 against the D-Mark

at close of trading in London, from FF3.421 at the previous close. September PIBOR interest rate contracts rose to 96.07, up 31 basis points on the day, suggesting lower interest rate expectations.

The D-Mark fell against the US dollar. It closed at DM1.495 from DM1.481. Against sterling, the D-Mark finished at DM2.316, from DM2.297. The dollar was unable to gain against the yen, ending down at Y108.3, from Y108.5.

The Bank of Canada also took advantage of the market movement to cut its bank rate by 25 basis points, to 4.25 per cent.

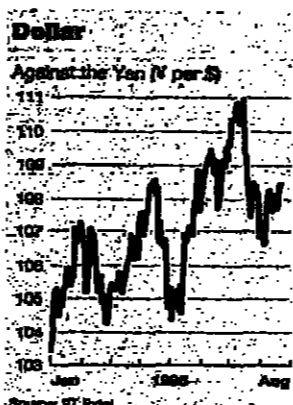
The Greek drachma weakened against the D-Mark and

the dollar on expectations that the Bank of Greece might cut rates today and on the announcement yesterday of a snap general election.

The Bundesbank knows how to move markets. After the bank's decision to leave rates unchanged last month, yesterday's dramatic cut to a historic low for the repo rate was unexpected. The bank did not change the Lombard or discount rates.

But will they cut again? Opinions in the market are divided over whether the 3.0 per cent level is the bottom, or whether the bank has any room for more cuts.

Ms Alison Cottrell, international economist at Paine Webber in London, thinks the central bank will be able to make repo rate reductions over the next two months: "I'd say that there are 10 to 15 basis points to come. We'll see a further pressure on the D-Mark before the



economy is ready for it."

But Mr Tony Nordfeldt, currency strategist with ABN AMRO Bank in London, disagreed: "It looks more of a one-shot move."

"In my opinion the repo rate is fixed at 3.0 per cent, maybe to the end of the year. There is no reason to expect any tightening until the end of next year, because

the pace of recovery is so weak," Mr Nordfeldt said.

The first beneficiary of Germany's repo cut was France. The Bank of France responded to the Bundesbank's move by reducing its intervention rate to 3.35 per cent, from 3.55 per cent, and the franc began to look much healthier.

Austria reduced its key short-term rate to 3.30 per cent from 3.4 per cent, and its repo rate to 3 per cent from 3.3 per cent. Belgium cut its central rate to 3 per cent from 3.2 per cent. The Dutch central bank reduced its special advances rate to 2.50 per cent from 2.70.

Many analysts were surprised that the US dollar did not seem to benefit from the D-Mark's fall to a greater extent. Top of the range expectations in the short term seem to be around DM1.52, but since the dollar

failed to make it through DM1.50 yesterday, some were questioning why.

"We've seen a tremendous amount of dollar buying today, and it's worrying that it was only up by a pfennig," said Mr Avinash Persaud, currency strategist at JP Morgan in London.

"If it's not going to rally on this news, then what will it rally on?"

The Bank of Canada said the timing of its rate cut was influenced by the narrowing of Canada-US spreads on bond yields.

The Canadian dollar ended at C\$1.571 after the cut, little changed from the previous close of C\$1.573.

POUND SPOT FORWARD AGAINST THE POUND

Table with columns for Country, Closing mid-point, Change on day, Bid/offer, Day's mid, One month, Three months, One year, Bank of England %PA, and J.P. Morgan %PA index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns for Country, Closing mid-point, Change on day, Bid/offer, Day's mid, One month, Three months, One year, J.P. Morgan %PA index.

WORLD INTEREST RATES

Table with columns for Country, Over night, One month, Three months, Six months, One year, Longer term, and Basis points.

CRISIS RATES AND DERIVATIVES

Table with columns for Country, Bid, Offer, DM, SF, Yen, etc.

EXCHANGE CROSS RATES

Table with columns for Country, Bid, Offer, DM, SF, Yen, etc.

INTEREST RATES

Table with columns for Country, Over night, 7 days, One month, Three months, Six months, One year.

BASE LENDING RATES

Table with columns for Bank Name and Interest Rate.

EUROPEAN CURRENCY UNIT RATES

Table with columns for Country, Rate, Change on day, % v/v, % spread, Div. v/vestment Ind.

NON ERM MEMBERS

Table with columns for Country, Rate, Change on day, % v/v, % spread, Div. v/vestment Ind.

THREE MONTH EURO-DOLLAR

Table with columns for Country, Open, Last, Change, High, Low, Est. vol, Open int.

US TREASURY BILL FUTURES

Table with columns for Country, Open, Last, Change, High, Low, Est. vol, Open int.

THREE MONTH EURO-DOLLAR

Table with columns for Country, Open, Last, Change, High, Low, Est. vol, Open int.

St. George Bank Limited advertisement for U.S. \$75,000,000 Floating Rate Notes due 2000.

The Chase Manhattan Corporation advertisement for U.S. \$250,000,000 Floating Rate Subordinated Notes due 2000.

Sakura Finance Hongkong Limited advertisement for U.S. \$100,000,000 Guaranteed Floating Rate Notes due 1997.

Creditanstalt Bankverein advertisement for US\$100,000,000 Subordinated Collateral Floating Rate Notes due 2005.

Hongkong Bank advertisement for U.S. \$400,000,000 Primary Capital Undated Floating Rate Notes.

The Chase Manhattan Corporation advertisement for U.S. \$250,000,000 Floating Rate Subordinated Capital Debentures due 2005.

American Express Travel Related Services Company advertisement for U.S. \$125,000,000 Floating Rate Notes due 1998.

American Express Travel Related Services Company advertisement for U.S. \$125,000,000 Floating Rate Notes due 1998.

COMMODITIES AND AGRICULTURE

'Gang warfare' closes Tajik aluminium plant

By Sander Thoenes in Almaty, Kazakhstan

Gang warfare and chronic cash shortages have forced the Tursunzade aluminium smelter in Tajikistan, one of the largest in the former Soviet Union, to suspend its operations...



gangs for control of the industrial town of Tursunzade. All communication with the town was lost earlier this week but reporters in the capital, Dushanbe, 50km to the east, said shooting between the two groups had since subsided...

the plant had produced 16,000 tonnes of aluminium in June and more than 100,000 tons during the first half of 1994, down 15 per cent from the same period in 1995.

Since 1992, civil war has divided the mountainous republic into numerous fiefdoms where control over factories and trading routes is at least as important as ethnic, regional and political rivalries.

the latest dispute. Imports of alumina from neighbouring Russia cost the republic almost as much as it makes from exports of aluminium...

Shanghai warehouses 'hold copper market key'

By Kenneth Gooding, Mining Correspondent

Short term copper prices depend on the fate of about 85,000 tonnes of the metal in Shanghai warehouses, moved to China from London Metal Exchange warehouses in the past two months.

that the Stockpile will not take the 85,000 tonnes back until early 1997, he adds. Expressing the frustration felt by many market analysts, Mr Hollands says: 'We do not know enough about the 85,000 tonnes in Shanghai. Why was it taken out of LME warehouses when supplies of copper for immediate delivery were tight?'

Can recycling continues to climb outside US

By Kenneth Gooding, Mining Correspondent

Aluminium beverage can recycling rates - which the aluminium industry promotes heavily to give itself a "green" image - continued to climb last year in Europe and Japan but seem to have reached a plateau in the US...

and back to cans again) they save as much as 95 per cent of the energy needed to produce new aluminium. Also, the capital cost of a recycling plant is only one tenth of that for a smelter.

five years ahead of the official schedule, the minimum recycling targets set by the European Union Directive on Packaging and Packaging Waste.

This result put Japan's recycling rate above that of the US for the first time. In the States the rate dipped slightly last year compared with 1994 to 62.3 per cent.

The industry remains determined to push the rate ever upward. The US Aluminium Association says it is still committed to recycling every aluminium can while Acme reckons that the European rate will reach 60 per cent by 2000.

used as an educational tool to address environmental and recycling issues and acts as a catalyst to resource savings and recycling in general, creating jobs and businesses in the recycling sector.

Venalum makes peace gesture to Japanese partners

By Ray Collett in Caracas

In a move apparently intended to overcome a month-old row with its Japanese partners, the Venezuelan state aluminium refiner Venalum, which is earmarked for privatisation later this year, plans to ship 14,000 tonnes of ingot to Japan in early September.

member delegation of Venezuelan government authorities and Venalum representatives scheduled to arrive in Tokyo for negotiations over veto rights of the Japanese consortium, which holds a 20 per cent share in Venalum.

reports that the government could threaten to expropriate the Japanese consortium if it refused to sell its veto right.

pressure them their rights of veto, which the government said, would reduce the company's value when it was put up for sale.

Corporación de Guayana (CVG), the state holding company, which was subsequently removed.

complex that is to be privatised towards the end of the year.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Table with columns for metal type (Aluminium, Copper, Zinc, Lead, Tin, Nickel), price change, and price per tonne.

Precious Metals continued

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, and price per ounce.

GRAINS AND OIL SEEDS

Table with columns for grain type (Wheat, Maize, Soybean), price change, and price per bushel.

SOFTS

Table with columns for soft type (Cocoa, Coffee, Sugar), price change, and price per unit.

MEAT AND LIVESTOCK

Table with columns for meat type (Live Cattle, Live Hogs, Pork Bellies), price change, and price per unit.

ENERGY

Table with columns for energy type (Crude Oil, Heating Oil, Gasoline), price change, and price per barrel.

PRECIOUS METALS

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, and price per ounce.

FUTURES DATA

Table with columns for future type (Wool, Natural Gas, Soybean), price change, and price per unit.

INDICES

Table with columns for index type (Reuters, CRB, GSCI), price change, and price per unit.

VOLUME DATA

Table with columns for volume type (Copper, Tin, Rubber), price change, and price per unit.

JOTTER PAD

Table with columns for commodity type (Aluminium, Copper, Zinc, Lead, Tin, Nickel), price change, and price per unit.

LONDON TRADED OPTIONS

Table with columns for option type (Aluminium, Copper, Zinc, Lead, Tin, Nickel), price change, and price per unit.

LONDON SPOT MARKETS

Table with columns for spot type (Crude Oil, Heating Oil, Gasoline), price change, and price per unit.

ACROSS

- 1 Footballers and economists reckon it's a tie (5,7)
2 Relative to having dirty article taken away (5)
3 Look back on swell sweaters (7)
4 Give views on ruins, but repair most (6,16)
5 After being angry, relish trying on another sexy clothes (8)
6 The pedigree horses stood apart in the group... (10)
7 ... but have a disadvantage in the race (8)
8 Stops criminals getting caught (7)
9 China's rates fluctuate between two points (7)
10 Said in France to be the same (5)
11 Solution 9,153

Crossword puzzle grid with clues and solution.

Handwritten text in Arabic script: 'صلى الله عليه وسلم'

Offshore Funds and Insurances

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 878 4878 for more details.

FT MANAGED FUNDS SERVICE

Main table containing fund names, descriptions, and prices. Includes sections for Luxembourg (Regulated), Offshore, and Insurance.

Handwritten text at the bottom of the page: "صندوق الاستثمار"

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 674 4378 for more details.

Offshore Insurances and Other Funds

Main table containing various fund names, prices, and performance metrics. Includes sections for 'OTHER OFFSHORE FUNDS' and 'MANAGED FUNDS NOTES'.

صحة من الامل

SEND US YOUR OWN PAPERCLIP. And while you are at it, please attach your cheque to fund more Macmillan Nurses in the fight against cancer. (Did you know over one million people are living with it?)

Cheque amount £..... made out to 'CRMF (F1)'. Send to: CRMF FREEPOST LONDON SW3 3BR



Cancer Relief Macmillan Fund exists to support people with cancer and their families. Regd. Charity No. 261017.

MANAGED FUNDS NOTES. Prices are in pence unless otherwise indicated and are based on the value of the fund's assets less liabilities as at the end of the reporting period.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for name, price, and change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotels companies with columns for name, price, and change.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for name, price, and change.

PROPERTY - Cont.

Table listing property companies with columns for name, price, and change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for name, price, and change.

AIM - Cont.

Table listing AIM companies with columns for name, price, and change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for name, price, and change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for name, price, and change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for name, price, and change.

RETAILERS, GENERAL

Table listing general retailers with columns for name, price, and change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for name, price, and change.

AMERICANS

Table listing American companies with columns for name, price, and change.

CANADIANS

Table listing Canadian companies with columns for name, price, and change.

SOUTH AFRICANS

Table listing South African companies with columns for name, price, and change.

INVESTMENT COMPANIES

Table listing investment companies with columns for name, price, and change.

OIL INTEGRATED

Table listing oil integrated companies with columns for name, price, and change.

PROPERTY - Cont.

Table listing property companies with columns for name, price, and change.

SUPPORT SERVICES

Table listing support services companies with columns for name, price, and change.

WATER

Table listing water companies with columns for name, price, and change.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service providing information on FT data, company classifications, and market capitalization.

By meeting customer needs, Rockwell has become a world leader in components and systems for cars, trucks and trailers.



HOLLAND

Street Date: 23 AUG 1996

73

22

LONDON STOCK EXCHANGE

MARKET REPORT

Another record closing high for Footsie

By Steve Thompson, UK Stock Market Editor

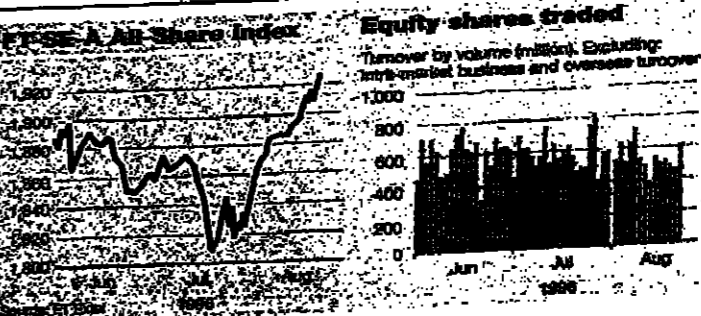
A revival of confidence in international bond markets following the decision of the Bundesbank Council to reduce its repo rate quickly lifted share markets and saw many of London's leading stocks power ahead to new records yesterday.

Strategists said there was widespread relief as the news became known. The Bundesbank move was said to have been put in jeopardy by a stronger-than-expected survey of business confidence in Germany on Wednesday, which was followed by a sharp sell-off in bonds and UK gilts.

Second line stocks were also being chased higher, with the FT-SE Mid 250 index closing 15.1 ahead at 4,402.5.

A fresh and severe fall in shares in BAT Industries, the tobacco and insurance group, after yet more bearish news from the US, upset sentiment in London. BAT shares have fallen 18 per cent this month.

Prudential caught the eye on the upside, as dealers noted extremely heavy trading in the options and the underlying stock ahead of results expected next month. Talk of potential Euro-pru mergers and a trade sale of Pru's Mercantile & General subsidiary were greeted with scepticism.



Indices and ratios table showing FT-SE 100, FT-SE Mid 250, FT-SE A 350, FT-SE A All-Share, and FT-SE A All-Share yield with their respective values and changes.

Best performing sectors table listing Life Assurance, Building Materials, Gas Distribution, and Telecommunications with their percentage changes.

Futures and Options table for FT-SE 100 Index Futures (LUFF) and FT-SE 100 Index Options (LIFO).

FT-SE 100 Index Options (LIFO) table showing various option contracts and their prices.

FT-SE 100 Index Options (LIFO) table showing various option contracts and their prices.

FT-SE 100 Index Options (LIFO) table showing various option contracts and their prices.

FT-SE 100 Index Options (LIFO) table showing various option contracts and their prices.

London Recent Issues: Equities table listing various companies and their share issues.

FT Gold Mines Index table showing the performance of gold mining stocks.

FT-SE Actuaries Share Indices table showing the performance of various actuarial funds.

FT-SE Actuaries All-Share table showing the performance of the FT-SE Actuaries All-Share index.

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US news batters BATs

News that BAT Industries is prepared to fight US proposals to make tobacco a regulated drug, did little to allay fears about the likely impact of such a move and sent the group's shares falling sharply.

By the end of the session, the stock had lost more than 5 per cent of its value after falling 24 to 422p. It was the day's sharpest decline in the Footsie and sent BAT to a new low for the year.

whole tobacco industry will fight them all the way. Fears that the poor sentiment in BAT would spread to Hanson, which is about to demerge its Imperial Tobacco business, proved unfounded.

Caradon finished 7p up at 226 after the release of interim results by its 50 per cent-owned subsidiary Werru AG. Although Werru's interim numbers were not that good, they confirmed that the rationalisation programme was working one analyst said.

Mr Richard Brown's review might lead to the disposal of some of its businesses. Such a step, if it happened, would unlock more value, analysts said.

The bulls in Rentokil Group gained the upper hand after the support of vices company reported interim figures. The shares jumped 10 to 419p. However, analysts at BZW remain bears of the stock. They were particularly disappointed by the group's decision not to sell any major parts of the BZT acquisition.

more relaxed rules suggested by Ofgas for British Gas earlier this week. Shares in the latter ended the session 2p better at 207p, after trade of 10m.

Diversified industrial Berenson fell 13 to 185p following a vote by workers at its Magnet kitchen factory at Darlington in favour of industrial action.

There was profit taking at EMI Group, which fell 19 to 1461p while News International dropped 14 to 348p following its full year results. Pre-tax profits fell to £415.9m from £778.7m last year, partly due to the cost of closing the Today newspaper.

BSkyB added 10 to 557, with NatWest Securities changed its stance to "hold" from "reduce" after preliminary results in line with market estimates.

Unigate firmed 7 to 438p. Northern Foods rose 5 to 210p and Robert Wiseman hardened one penny to 175p.

J Sainsbury continued to weaken, falling 4 to 385p after the recent spate of profit warnings.

There was a certain amount of relief, with the stock having fallen recently. He said that there had been a reassuring meeting with analysts. Nevertheless, Credit Lyonnais Laing shaved its full-year forecast to £45m from £48m while BZW reduced its forecast by six per cent to £51m.

Ladbroke hardened 2p to 203p ahead of next week's results. Analysts expect the hotels division to benefit from good current trading in the London market.

Despite strong trading volume, Allied Domecq fell 2p to 439p, with one analyst suggesting it would continue to drop until Bass announced its acquisition of Allied's stake in Carlsberg-Tetley. Bass, however, strengthened 5 to 837p. W H Smith climbed 11 to 532p ahead of next week's results.

Dairy stocks continued to improve following the reform agreed by Milk Marque, the farmers' supply co-operative, of its wholesale

COMMERCIAL PROPERTY advertisement for GENEVA office buildings, including details on location, size, and contact information.

FOR SALE advertisement for a Medical Centre in Harley Street, listing features like 2 buildings, 23 consulting rooms, and operating theatres.

FOR SALE advertisement for a four-story commercial building at the heart of Bangkok City, ideal for a medium-sized factory or office.

OFFICE INVESTMENT FOR SALE advertisement for a new office building in Glasgow, with details on size and price.

UNIQUE IN BELGIUM advertisement for a new commercial property under construction, featuring high-tech office space.

FOR SALE IN BELGIUM advertisement for luxury offices (450m2) near the Cinquantenaire, with modern facilities.

A Charming Period Self-contained Office Building advertisement for a property in Berkeley Square and Grosvenor Square, Mayfair, London.

RUTLAND advertisement for a 532-acre mixed farm for sale, with details on location and contact information.

FT CITYLINE table showing sector reports by fax, including Retailers and other sectors.

Hourly movements table showing the performance of various FT-SE 100 stocks throughout the day.

FT-SE Actuaries 350 Industry baskets table showing the performance of various industry baskets.

Additional information on the FT-SE Actuaries Share Indices, including details on the FT-SE Actuaries Share Index and other related indices.

Major Stocks Yesterday table showing the performance of various major stocks on the previous day.

Trading Volume table showing the trading volume for various major stocks.

Additional information on the FT-SE Actuaries Share Indices, including details on the FT-SE Actuaries Share Index and other related indices.

Additional information on the FT-SE Actuaries Share Indices, including details on the FT-SE Actuaries Share Index and other related indices.

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Highs and Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 22 / Sat)

Stock	Price
Alpine	11.10
Bank Austria	11.10
Energy	11.10
Insurance	11.10
Media	11.10
Telecom	11.10
Utilities	11.10
Other	11.10

GERMANY (Aug 22 / Fri)

Stock	Price
Adidas	11.10
BMW	11.10
Deutsche Bank	11.10
Mercedes-Benz	11.10
Siemens	11.10
Volkswagen	11.10
Other	11.10

FRANCE (Aug 22 / Fri)

Stock	Price
Airbus	11.10
BNP Paribas	11.10
Carrefour	11.10
Elf	11.10
Indesat	11.10
Other	11.10

ITALY (Aug 22 / Fri)

Stock	Price
Alitalia	11.10
Eni	11.10
Intesa	11.10
Mediocredito	11.10
Other	11.10

NETHERLANDS (Aug 22 / Fri)

Stock	Price
ABN-AMRO	11.10
ASML	11.10
Shell	11.10
Other	11.10

ASIA

HONG KONG (Aug 22 / Fri)

Stock	Price
HSBC	11.10
Industrial	11.10
Other	11.10

JAPAN (Aug 22 / Fri)

Stock	Price
Daicel	11.10
Fuyo	11.10
Other	11.10

KOREA (Aug 22 / Fri)

Stock	Price
Daewoo	11.10
Other	11.10

THAILAND (Aug 22 / Fri)

Stock	Price
Other	11.10

INDONESIA (Aug 22 / Fri)

Stock	Price
Other	11.10

PACIFIC

NEW ZEALAND (Aug 22 / Fri)

Stock	Price
Other	11.10

SPAIN (Aug 22 / Fri)

Stock	Price
Other	11.10

SWITZERLAND (Aug 22 / Fri)

Stock	Price
Other	11.10

AFRICA

Stock	Price
Other	11.10

AUSTRALIA (Aug 22 / Fri)

Stock	Price
Other	11.10

INDICES

Index	Aug 22	Aug 21	Aug 20	1996 High	1996 Low
Argentina (BVL1277)	1541.27	1532.49	1588.89	2005	1063.27
Australia (ASX100)	2274.6	2285.0	2267.0	2528.0	2094.0
Brazil (BVL100)	1018.2	1024.8	1013.8	1118.0	85
Canada (TSX100)	3672.2	3711.8	3541.7	3943.0	215
China (SSE100)	1023.0	1028.0	1020.0	1142.0	205
France (CAC40)	1700.0	1733.0	1701.0	1773.0	205
Germany (DAX100)	6148.0	6371.0	6022.0	127	4381.0
Hong Kong (HSI)	11477.7	11485.0	11512.1	11994.0	102
India (SENSEX)	3988.0	3908.2	3710.0	4083.0	188
Indonesia (IDX)	542.0	542.0	538.0	602.0	244
Italy (MIB100)	2817.0	2813.7	2828.0	2961.0	196
Japan (Nikkei)	12210.0	12210.0	12220.0	14120.0	205
Korea (KOSPI)	2100.0	2100.0	2100.0	2100.0	205
Malaysia (KLSE)	1020.0	1020.0	1020.0	1020.0	205
Netherlands (AEX)	1020.0	1020.0	1020.0	1020.0	205
New Zealand (NZSE)	1020.0	1020.0	1020.0	1020.0	205
Spain (IBEX35)	1020.0	1020.0	1020.0	1020.0	205
Switzerland (SMI)	1020.0	1020.0	1020.0	1020.0	205
Thailand (SET)	1020.0	1020.0	1020.0	1020.0	205
Taiwan (TAIEX)	1020.0	1020.0	1020.0	1020.0	205
UK (FTSE100)	1020.0	1020.0	1020.0	1020.0	205
USA (S&P 500)	1020.0	1020.0	1020.0	1020.0	205

US INDICES

Index	Aug 22	Aug 21	Aug 20	1996 High	1996 Low
Dow Jones	5882.82	5721.28	5698.44	6718.00	4728.54
S&P 500	1020.0	1020.0	1020.0	1020.0	205
NASDAQ	1020.0	1020.0	1020.0	1020.0	205
NYSE Comp.	1020.0	1020.0	1020.0	1020.0	205
NYSE Mid Cap	1020.0	1020.0	1020.0	1020.0	205
NASDAQ Comp.	1020.0	1020.0	1020.0	1020.0	205
NYSE Ind. Div. Yield	2.13	2.21	2.22	2.48	1.97
S & P Ind. Div. Yield	2.04	2.03	2.10	2.07	1.87
S & P Ind. P/E ratio	22.04	21.16	21.35	20.08	22.08

NEW YORK STOCKS

Stock	Price
Alcoa	11.10
Amgen	11.10
Boeing	11.10
IBM	11.10
Microsoft	11.10
Other	11.10

ASIA

Stock	Price
Other	11.10

AFRICA

Stock	Price
Other	11.10

INDEX FUTURES

Index	Open	High	Low	Est. Vol.	Open Int.
Aug 22	2024.5	2032.0	2007.0	141	25,975
Aug 21	2028.5	2036.0	2013.0	3,282	21,508
Aug 20	2030.5	2038.0	2015.0	3,282	21,508

WORLD

Index	Open	High	Low	Est. Vol.	Open Int.
Aug 22	1020.0	1020.0	1020.0	1020.0	1020.0
Aug 21	1020.0	1020.0	1020.0	1020.0	1020.0
Aug 20	1020.0	1020.0	1020.0	1020.0	1020.0

US INDICES

Index	Open	High	Low	Est. Vol.	Open Int.
Aug 22	1020.0	1020.0	1020.0	1020.0	1020.0
Aug 21	1020.0	1020.0	1020.0	1020.0	1020.0
Aug 20	1020.0	1020.0	1020.0	1020.0	1020.0

ASIA

Index	Open	High	Low	Est. Vol.	Open Int.
Aug 22	1020.0	1020.0	1020.0	1020.0	1020.0
Aug 21	1020.0	1020.0	1020.0	1020.0	1020.0
Aug 20	1020.0	1020.0	1020.0	1020.0	1020.0

AFRICA

Index	Open	High	Low	Est. Vol.	Open Int.
Aug 22	1020.0	1020.0	1020.0	1020.0	1020.0
Aug 21	1020.0	1020.0	1020.0	1020.0	1020.0
Aug 20	1020.0	1020.0	1020.0	1020.0	1020.0

FT FREE ANNUAL REPORTS SERVICE: You can receive the annual reports of the 100 largest companies in the world. Contact us at 0203 777 0700. We will send you the reports free of charge. Terms & conditions apply.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

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سوق الاسواق

Continued on next page

صحة من الامل

NYSE PRICES

NASDAQ NATIONAL MARKET

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'V', 'T', 'U', and 'T'.

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'V', 'T', 'U', and 'T'.

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'V', 'T', 'U', and 'T'.

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'V', 'T', 'U', and 'T'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Table of AMEX stock prices including columns for stock name, price, change, and volume.

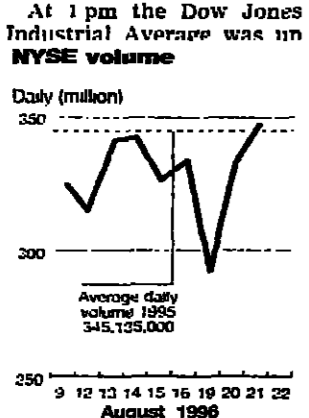
Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for 'Have your FT hand delivered in Germany.' featuring the Financial Times logo and text about hand delivery services.

AMERICA Dow climbs, tobaccos still in ferment

Wall Street

US stocks were posting some of their strongest gains of the month yesterday morning in the wake of a rally in Europe spurred by the German rate cut...



35.85 at 5,725.70, the Standard & Poor's 500 had risen 4.57 at 665.07, and the American Stock Exchange composite was 2.13 higher at 657.68.

Tobacco stocks had a volatile morning on continuing worries about the possible outcome of an anti-smoking law suit heard in an Indiana court this week...

Buying lifts S Africa

Industrial shares in Johannesburg closed at intraday highs, helped both by offshore and local buying. After selling almost 120m worth of shares in the past two sessions, foreign institutions rekindled their interest by buying blue chips.

Buenos Aires steady

After Wednesday's 3.4 per cent fall BUENOS AIRES was holding its own in mid-session trading. The Merval index was up 1.19 at 498.25. Investment sentiment was hurt earlier this week as fears emerged that an economic programme designed by the government to rein in the budget deficit might take until October to be passed by congress.

EUROPE Interest rate cuts attract lukewarm response

FT-SE Actuaries Share Indices

Table with columns for Aug 22, Aug 21, Aug 20, Aug 19, Aug 18, Aug 17. Rows for FT-SE 100, FT-SE 250, FT-SE 400, FT-SE 600, FT-SE 1000.

Bourses rose on the rate cuts from the Bundesbank and the Bank of France, but they seemed somewhat tepid in their response. FRANKFURT, for example, was looking at a gain of more than 50 basis points in bond futures...

However, the eventual gain in the Dax index, 24.98 on an index-adjusted 2,659.42, was less than the 27.88 it lost on Wednesday when an Ifo business indicator had seemed to rule out rate cut hopes.

Individual situations, rather than dollar or defensive stocks, made the big moves on the day.

BASF, seen as the latest chemicals group to convert to shareholder value, produced better than expected half year results and its shares rose DM6.26 or 3 per cent to DM43.50.

At the other end of the sector, Merck, the pharmaceuticals company, had its earnings prospects downgraded by Deutsche Morgan Grenfell, and closed DM1.51

THE EUROPEAN SERIES

Table with columns for Aug 22, Aug 21, Aug 20, Aug 19, Aug 18, Aug 17. Rows for FT-SE 100, FT-SE 250, FT-SE 400, FT-SE 600, FT-SE 1000.

lower at DM55.79. Deutsche was also involved in a fall of 97 pps to DM50.56 at Bayerwerk, where its 5.21 per cent stake in the Bavarian bank had been touted as a precursor of sector restructuring.

PARIS was pleased with itself as the central bank sliced the intervention rate by 20 basis points to 3.35 per cent. However, an early rise in the CAC-40 index to 2,026.54 could not be sustained and the market eventually closed up 17.12 at 2,017.76.

Financials were one of the main beneficiaries, helped also by strength in the franc against the D-Mark, with Suez up Ffr2.90 or 1.5 per cent at Ffr182.80, UAP up Ffr1.02 or 1 per cent at Ffr102.70 and BNP gaining Ffr7.04 or 4 per cent at Ffr180.80, as a number of brokers lifted their recommendations on the group.

Générale des Eaux, the engineering and construction group, disappointed some investors with unchanged first half sales year-on-year. The stock eased Ffr4 to Ffr501, although a number of brokers remarked that the domestic trials of the US tobacco companies would encourage them to invade the Spanish market.

BEAN followed the trend with the Mibtel rising 116 to 9,714, while the Comit made 4.47 to 606.13. The market was also supported by favourable inflation data released by a number of Italian cities yesterday and on Wednesday.

AMSTERDAM

was disappointed with ING on the basis that the results from the insurer were not as good as those released by ABN Amro last week. The stock lost 30 cents to F153.90, after a high of F154.50, in spite of the fact that the first half results were at the high end of expectations.

Investors were also concerned that ING said that it did not expect the increase in profit for the first half of the year to be equalled in the second half of 1996. The AEX index advanced 5.47 to 564.95.

Another insurer, Aegon, did better with a session rise of F13.10 to F183.40, after a high of F183.80. The group upgraded its forecast for the full year after showing a 16 per cent improvement in first half net profit.

Warsaw rose for the sixth consecutive session but that profit-taking could now set in. The Wig index rose 2.9 per cent to 1,597.4 as turnover increased by 15 per cent to 139.8m zlotys.

JUPEAED extended its gains, led by strength in the pharmaceutical sector. The Bux index rose 83.35 to 3,970.23 in turnover of F11.2bn, bringing the rise over the last two sessions to 6.3 per cent.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC Nikkei rises as Wellington strikes 10 month high

Tokyo

A revival in foreign buying encouraged investors and the Nikkei average rose for the fourth consecutive day, led by a rally in banking stocks and steels, writes Emiko Terazono in Tokyo.

The 225 index rose 88.22 to 21,363.24, after moving between 21,239.85 and 21,286.45. The Topix index of all first section stocks gained 8.04 to 1,613.95 and the Nikkei 300 1.84 to 300.46, finishing above the 300 level for the first time since July 19.

Volume totalled 306m shares against 341m. Gainers led losses by 531 to 453 with 223 unchanged.

In London, the ISE/Nikkei 50 index rose 1.77 to 1438.31. Overseas investors bought banks and large capital steels, while domestic institutions were also buyers. Brokerage dealers were encouraged by the turnaround in confidence, and followed the foreign activity.

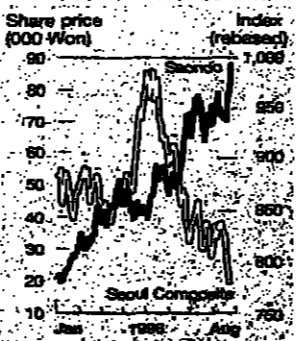
Banks were stronger, helped by easier bond yields. Bank of Tokyo-Mitsubishi rose Y30 to Y2,930. Dai-ichi Kangyo Bank Y30 to Y1,900 and Industrial Bank of Japan Y60 to Y2,390. Among the big steels, NKK and Sumitomo Metal Industries each gained Y5, to Y311 and Y361 respectively.

Telecommunication stocks hit profit taking. Nippon Telegraph and Telephone fell Y1,000 to Y908,000. DDI dropped Y3,000 to Y921,000 and Matsushita Communication Industrial lost Y50 to Y3,030.

Green Cross, the drug company which faces criminal investigation over its sales of untreated blood products in the 1980s, lost Y27 to Y474, after plunging Y37 on Wednesday following a raid by Osaka prosecutors.

Other drug companies were higher with Sankyo up Y20 to Y2,810 and Takeda Chemical adding Y20 to Y1,760.

Seondo Electric



SEoul, unremittingly bearish, decided that a government-backed package of stock market reforms was unlikely to bring buyers back into the market and the composite index fell 8.49 to 811.93, its lowest since November 10, 1993.

However, brokers also found time to be bullish about Seondo Electric, a maker of emission control devices, which went limit up to a 1996 peak of Won87,800, up Won4,800 on the day and by 387 per cent from its year's low. Sales of Seondo were expected to soar this year, and the shares hit their Won 100,000 in the near future.

SYDNEY fell for the first time in six trading days. The All Ordinaries index lost 11.4 to 2,274.6.

Banks were mostly lower. Commonwealth Bank of Australia eased 5 cents to \$11.91 and National Australia Bank by 19 cents to \$12.57.

St George Bank, which announced that it was to enter the insurance market, slipped 4 cents to \$8.36. Qantas Airways lost 3 cents to \$2.14, in spite of reporting a 37 per cent gain in net profit for the fiscal year which ended on June 30.

SHANGHAI dropped on profit-taking after recent gains inspired by reports that the central bank was to cut interest rates. The B index eased 0.46 to 62.36.

SHENZHEN fell back on the same theme, with the B index slipping 6.32 to 872.26. Dealers said the expectation that the People's Bank of China would reduce lending and borrowing rates today in an effort to help ease debt burdens at large state-owned companies had been rumoured for some months.

However, Guangdong Electric Power Development, which reported a first-half net profit of Yn354.7m against forecasts of Yn192.8m, saw its B shares up 12 cents at HK\$6.52. Analysts were encouraged by the high revenue reported for a key generating unit which, last year, had been plagued by a series of breakdowns.

HONG KONG saw a late burst of buying in the banking and property sectors which left the Hang Seng index up 42.27 at 11,478.77. Turnover was HK\$4.9bn. Companies with interests in mainland China were favoured on expectations for a cut in interest rates there. The Hang Seng China Enterprises Index rose 2.8 per cent as Guangdong Investment rose by 5 cents to HK\$7.70. Banks improved late in the day: Hang Seng Bank climbed 50 cents to HK\$1.50 and Bank of East Asia rose from an intraday low of HK\$28.45 to finish unchanged at HK\$28.65.

FT/SE ACTUARIES WORLD INDICES

Large table with columns for NATIONAL AND REGIONAL MARKETS, US, and EUROPEAN. Rows list various countries and their stock indices.

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Notice to Noteholders of The Export-Import Bank of Korea U.S. \$100,000,000 Floating Rate Notes due 1997. The Fiscal Agent wishes to advise Noteholders under the captioned issue that redemption notices for payment on the 25th September, 1996 should be lodged with themselves by no later than 17:00 hours (New York time) on the 26th August, 1996.

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LEGAL NOTICES. INSOLVENCY ACT 1986. MILLINER 2 GAMES LIMITED. NOTICE IS HEREBY GIVEN in pursuance of Section 98 of the Insolvency Act 1986 that a Meeting of Creditors of the above named Company will be held at the offices of the Receiver, Messrs. G. & J. P. Morgan & Co. (UK) Limited, 25 Abchurch Lane, London EC4N 3DF, on August 23, 1996 at 11.30am for the purpose mentioned in Section 98 of the Act.

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